سلامة
SALAMA

INTEGRATED REPORT 2022

SALAMA – Islamic Arab Insurance Company (P.S.C)

الشركة الإسلامية العربية للتأمين (ش.م.ع.)
ISLAMIC ARAB INSURANCE CO.(P.S.C.)

The Integrated Report of 2022
Islamic Arab Insurance Company – SALAMA (P.S.C)

Islamic Arab Insurance Company – SALAMA (P.S.C) is delighted to disclose its integrated report of 2022 which contains the following:

1. Board of Directors Report
2. Auditor's Report
3. Annual financial statements and their notes
4. Governance Report
5. Sustainability Report
6. Shari'a Supervisory Committee Report

Mr. Jassim Alseddiqi
Chairman of the board of directors

سلامة
SALAMA

FINANCIAL REPORT 2022

SALAMA – Islamic Arab Insurance Company (P.S.C)

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

INDEPENDENT AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

Consolidated financial statements
31 December 2022

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Activity Report of the Board of Directors

SALAMA's Board of Directors is pleased to present the 43rd board of directors report, along with audited consolidated financial statements for the year ended on December 31, 2022.

SALAMA, one of the oldest and most established takaful insurance companies in the Middle East, takes great pride in being a pioneer in this relatively new but growing segment of the Islamic insurance industry. We constantly strive to maintain our outstanding reputation, strengthening business practices and adopting customer-centric, technology-driven offerings solutions that drive growth.

Company Performance

SALAMA subsidiaries and associates have performed well within their respective markets in 2022, a year marked by challenging macroeconomic conditions. The company reported a net profit of AED 42.462Mn, with total Gross Written Contributions (GWC) of AED 1.12Bn.

In 2022, SALAMA accelerated its underwriting transformation with the aim of enhancing core business performance. Our overall GWC grew by 2.8%, and 9.1% in the UAE despite an increasingly competitive landscape. Additionally, we have implemented a cost optimization framework across our group of companies while maintaining high levels of efficiency.

A revitalized investment strategy has resulted in an increase in the Group's investment income from AED 18.427Mn in 2021 to AED 40.660Mn in 2022. The growth reported factors in realized and unrealized losses arising from SALAMA KSA shares, which amounted to AED 18.979Mn.

The Group's subsidiaries have also demonstrated tangible performance gains in 2022, generating profit amid regional challenges including the devaluation of the Egyptian pound and CFA franc, which dropped by an average rate of 22.44% and 12.43%, respectively.

The Board's priority remains to underwrite risk which has somewhat hindered our growth ambitions. Nevertheless, we believe this approach to be crucial to establishing a solid foundation, upholding our responsibility as a leading market player within an ever-evolving insurance ecosystem. As directed by the Board, management continues to attempt a prudent balance between increasing revenues and maintaining consistent, disciplined underwriting performance.

Awards and Recognition

SALAMA was awarded "Takaful Specialist of the Year" at the prestigious 2023 MENA IR Awards 2023, which recognize and reward leading insurers, reinsurers, and brokers within the Middle Eastern and North African markets. In addition, the company was also awarded "Takaful Company of the Year" at the eighth edition of the InsureTek International Conference & Golden Shield Excellence Awards 2023. Overall SALAMA has won a total of 13 Awards as listed below:

- Takaful Company of the Year at InsureTek Middle East 2023
- Takaful Specialist at the Mena Insurance Awards 2023
- Best Takaful Provider at MEA Finance Industry Awards 2022
- Best Omnichannel Customer Happiness Initiative at Customer Happiness Summit & Awards 2022
- Best Online Insurance Company UAE 2022 at 2022 Global Banking & Finance Awards®
- Best Takaful Solutions Brand at GLOBAL BRANDS AWARDS 2022
- Best Takaful Company UAE 2022 at International Business Magazine Awards
- Insurance Brand of the Year UAE 2022 at 2022 Global Banking & Finance Awards®
- Most Innovative Takaful Solution Provider at World Business Outlook Awards 2022
- Leading Innovative Takaful Solution Provider at InsureTek Middle East 2022
- Takaful Specialist of the Year at The Mena Insurance Awards 2022
- Best Takaful Company - UAE 2022 at Global Economics Awards 2022 - UAE
- Most Innovative Takaful Company - UAE 2022 at Global Economics Awards 2022 - UAE

Growth and Expansion

In light of the foregoing, SALAMA is prioritizing financial management and risk assessment, while looking toward opportunities to scale business through the proposed acquisition of insurance portfolios.

On October 14, 2022, Takaful Emarat (TE) was to be amalgamated with SALAMA which would be the surviving entity acquiring all assets and liabilities. The transaction, exercisable on a cashless basis, would see the allotment of new shares in SALAMA to TE shareholders. However, on February 16, 2023, SALAMA announced that it was no longer considering said amalgamation, but exploring alternative agreements instead such as the potential acquisition of TE's takaful operations alone, and not the company's assets.

On December 28, 2022, the Board approved the acquisition of non-life portfolios from Dubai Islamic Insurance and Reinsurance Company (Aman), including the purchase of Aman's General, Motor, Medical, and Group Family Takaful solutions. The portfolio value/purchase price is AED 15 million, subject to customary adjustments and regulatory approvals.

The acquisition is expected to create synergies in SALAMA, expanding its market-leading position, and creating value for shareholders. Both parties are in the final stages of discussion and plan to sign binding agreements and obtain the required Sharia and regulatory approvals. The transaction's targeted execution date is subject to receiving approvals and completing portfolio transfers as planned and agreed by the two entities.

مقيدة تحت الرقم (١٧) بموجب القانون الاتحادي رقم (٦) لسنة ٢٠٠٧.
Registration No. (17) under Federal Law No. (6) of 2007.

Capital Reduction

On February 7, 2023, SALAMA's General Assembly in its meeting held on Monday corresponding to 16 January 2023, approved capital reduction to write off the company's accumulated losses by canceling 270,411,002 shares at a value of one UAE Dirham per share.

The action was implemented in line with an external audit on capital reduction, presented to the general assembly at the meeting.

The company's Board of Directors, in a meeting held on August 5, 2022 proceeded with the reduction of share capital by 270,411,002 from AED 1,210,000,000 on March 24, 2023. As a result of the share reduction, the capital of the company became AED 939,588,998 divided into 939,588,998 shares with a nominal value of one UAE Dirham per share.

Solvency

SALAMA has restored solvency position in Q3-2022 after being technically insolvent as a result of disqualifying assets (under legal cases) and changes in regulation impacting the admissibility of al-qard al-hasan. The Central Bank of the UAE's guidance and support were instrumental to SALAMA in terms of capital strength and solvency.

Audit Qualifications

The company's Board and Management have been working diligently to address Audit Qualification, which resulted in reducing non-qualifying assets by AED 5.569 and qualifying assets from AED 294.04Mn to AED 288.47Mn.

Regulatory Framework

The UAE has continued to bolster the regulatory framework in 2021 and 2022. The Board is confident that the evolving regulatory and policy environment will be increasingly more conducive to a strong insurance ecosystem.

Concluding Remarks

The Board remains committed to reinforcing the realignment of SALAMA's investment strategy, with the continued support of our stakeholders toward business growth. SALAMA has maintained an S&P Global Rating of BBB with CreditWatch Negative.

We remain optimistic about SALAMA, and its subsidiaries', the long-term growth in view of our strong balance sheet and 'AAA' capital adequacy. The current macroeconomic volatility is a source of reflection, likely to offer attractive avenues of organic and inorganic growth, which the Board continues to explore.

المكتب الرئيسي
الطابق الرابع - بناية سبيكروم
عود ميثاء - دبي، إ.ع.م.
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هاتف: ٨٠٠٧٢٥٢٦٢
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The Board of Directors would like to extend its sincerest gratitude to clients, reinsurers, regulators, and all other partners for their continued support. We would also like to thank management and staff across all subsidiaries for their dedication and contributions.

Board of Directors

Mr. Jassim Alseddiqi – Chairman
Mr. Saeed Mubarak Al-Hajeri – Vice Chairman
Mr. Fraih Saeed AlQubaisi – Board Member
Mr. Ahmad Al Sadah – Board Member
Mr. Saeed Al Qassimi – Board Member
H.E. Mohammed Abdul Aziz Al Shehhi– Board Member
Mr. Ajit Vijay Joshi– Board Member

On Behalf of the Board,

Jassim Alseddiqi
Chairman of the Board of Directors
March 20, 2023

سلامة
SALAMA
الشركة الإسلامية العربية للتأمين (ش.م.ع)
ISLAMIC ARAB INSURANCE CO.(P.S.C.)
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PL No. 108937

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ISLAMIC ARAB INSURANCE CO. (SALAMA) PJSC

Report on the audit of the consolidated financial statements

Qualified opinion

We have audited the consolidated financial statements of Islamic Arab Insurance Co. (Salama) PJSC (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the Basis for qualified opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for qualified opinion

The Group's total assets include investment properties with a carrying amount of AED 143,776 thousand (2021: AED 142,055 thousand), investments which are carried at AED 492,961 thousand (2021: AED 559,066 thousand) and other assets and receivables which are carried at AED 232,649 thousand (2021: AED 256,354 thousand). The aforementioned assets include:

- Investment property with a carrying amount of AED 84,957 thousand (2021: AED 84,957 thousand) (note 7);
- Available-for-sale investments of AED 58,244 thousand (2021: AED 62,561) and held to maturity investments of AED 111,627 thousand (2021: AED 112,880) (note 11); and
- Other receivables with a carrying amount of AED 33,639 thousand (2021: AED 33,639 thousand) (note 17).

Due to the ongoing litigations between the Group and different parties, we were unable to obtain sufficient appropriate audit evidence about the carrying amount of the aforementioned assets because we were unable to verify the judgements applied and estimates made in the determination of the fair value of the investments, and we were unable to determine if the Group legally owned these investments. Consequently, we were unable to determine whether any adjustments to these amounts were necessary. This matter has been in note 33 to the consolidated financial statements.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current year in addition to the matter described in the Basis for qualified opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matters (continued)

Key Audit Matter	How our audit Addressed the Key Audit Matter
Valuation of takaful contract liabilities and retakaful contract assets	
As at 31 December 2022, takaful contract liabilities and retakaful contract assets amounted to AED 852 million and AED 385 million (2021: AED 903 million and AED 398 AED million) respectively. We focused on these balances because of the complexity involved in the estimation process, and the significant judgements that management and the directors make in determining the appropriateness and adequacy of the liability. The liabilities which includes claims reported and not settled, incurred but not reported and mathematical reserve are based on a best-estimate of the ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs. A range of methods may be used to determine these provisions. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims. Retakaful assets are recognised when the related gross takaful liability is recognised according to the terms of the relevant retakaful contracts and their recoverability is subject to the probability of default and probable losses in the event of default by respective retakaful counterparties. Note 14 and 15 to these consolidated financial statements describes the elements that make up the takaful contract liabilities and retakaful contract assets.	The work that we preformed to address this key audit matter included the following procedures: • The evaluation and testing of key controls around the claims handling and reserve setting processes of the Group along with the recognition and release of retakaful assets. We examined evidence of the operation of controls over the valuation of individual claims reserves, such as large loss review controls and internal peer reviews (whereby reviewers examine documentation supporting claims reserves and consider if the amount recorded in the financial statements is valued appropriately). • We checked samples of claims reserves and the respective share of reinsurance assets, through comparing the estimated amount of the reserve to appropriate documentation, such as reports from loss adjusters and where relevant inspection of the Group's correspondence with lawyers and reinsurers where the claim are under investigation. • We reviewed management's reconciliation of the underlying group data recorded in the policy administration systems with the data used in the actuarial reserving calculations. • We tied the takaful contract liabilities and retakaful assets as recommended by the Group's actuary to the liabilities and assets in the consolidated financial statements. • We involved our actuarial specialist team members, to apply industry knowledge and experience and we compared the methodology, models and assumptions used against recognised actuarial practices. • We obtained the retakaful treaty summary for the year and verified the details in the summary to the respective agreements. • We reviewed the ratios of retakaful assets to related takaful contract liabilities to identify any variance from retakaful treaty arrangements.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ISLAMIC ARAB INSURANCE CO. (SALAMA) PJSC (continued)

Key audit matters (continued)

Key Audit Matter	How our audit Addressed the Key Audit Matter
Valuation of goodwill	
As at 31 December 2022, the carrying value of goodwill amounted to AED 114,639 thousand (2021: AED 114,639 thousand) arose from separate acquisitions made by the Group. Goodwill is allocated to cash generating units ('CGUs') for the purpose of impairment testing. Given the magnitude of the goodwill balance and the continued economic uncertainty in certain regions, it is important to ensure that the goodwill impairment review is approached in a robust manner to identify potential impairments, where necessary. The determination of their recoverable amount is complex and typically requires a high level of judgement, taking into account the different economic environments in which the Group operates. The most significant judgements arise over the forecast cash flows, discount rate and growth rate applied in the value-in-use valuation models. We considered the valuation of goodwill to be a key audit matter, given the significant judgements applied and estimates made when determining the recoverable amount. Note 6 to these consolidated financial statements describes the information of Goodwill.	The work that we preformed to address this key audit matter included the following procedures: • Challenged the key assumptions used in the impairment model for goodwill, including specifically the operating cash flow projections, discount rates, and long term growth rates. • The key assumptions used for estimating cash flow projections in the Group's impairment testing are those relating to revenue growth and operating margin. • Compared these assumptions to externally derived data (where applicable) as well as forming our own assessment. • Engaged our internal fair value specialists who assisted in computing an independent assessment of the discount rates used and assessing the methodology used in preparing the impairment testing model. • Tested the integrity and mathematical accuracy of the impairment model. • Considered the sensitivity of the impairment testing model to changes in key assumptions. • We also considered the adequacy of the Group's disclosures in respect of its goodwill impairment testing and whether disclosures about the sensitivity of the outcome of the impairment assessment to reasonably possible changes in key assumptions properly reflected the risks inherent in such assumptions.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ISLAMIC ARAB INSURANCE CO. (SALAMA) PJSC (continued)

Other information

Other information consists of the information included in the Directors' Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs, and in compliance with the applicable provisions of the Company's Articles of Association and of the UAE Federal Law No. (32) of 2021 and UAE Federal Law No. 6 of 2007, as amended, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosure are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law and regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ISLAMIC ARAB INSURANCE CO. (SALAMA) PJSC (continued)

Report on other legal and regulatory requirements

Further, as required by the UAE Federal Law No. 32 of 2021, except for the matters referred to in the *Basis for qualified opinion* paragraph, we report that for the year ended 31 December 2022:

i) the Group has maintained proper books of account;

ii) we have obtained all the information we considered necessary for the purposes of our audit;

iii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the Articles of Association of the Company and the UAE Federal Law No. 32 of 2021;

iv) the financial information included in the Directors' report is consistent with the books of account and records of the Group;

v) as disclosed in note 11 to the financial statements, the Group has investment in securities as at 31 December 2022;

vi) note 16 to the financial statements discloses material related party transactions and balances, and the terms under which they were conducted;

vii) note 44 to the consolidated financial statements discloses fees and penalties paid by the Group during the year ended 31 December 2022;

viii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2022 any of the applicable provisions of the UAE Federal Law No. 32 of 2021 or its Articles of Association, which would have a material impact on its activities or its financial position as of 31 December 2022; and

ix) the Group has no social contributions made during the year.

Further, as required by the U.A.E. Federal Law No. 6 of 2007 (as amended) and the related Financial Regulations for Insurance Companies, we report that we have obtained all the information and explanations we considered necessary for the purpose of our audit except for the matter described in the basis for qualified opinion section of our report. For disclosure on solvency ratios, refer note 46.

For Ernst & Young

Signed by:
Wardah Ebrahim
Partner
Registration No. 1258

20 March 2023

Dubai, United Arab Emirates

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 AED'000	2021 AED'000
ASSETS			
Property and equipment	5	**34,467**	36,480
Goodwill and intangibles	6	**117,819**	117,772
Investment properties	7	**143,776**	142,055
Right-of-use assets	8	**8,734**	4,426
Investment in associate	9	**35,188**	34,447
Statutory Deposits	10	**269,111**	239,649
Investments	11	**492,961**	559,066
Participants' investments in unit-linked contracts	11	**1,948,146**	2,396,075
Deposits with takaful and retakaful companies	12	**1,347**	2,387
Contributions and takaful balance receivables	13	**291,286**	213,404
Retakafuls' share of outstanding claims	14	**211,781**	262,350
Retakafuls' share of unearned contribution	15	**173,574**	135,789
Other assets and receivables	17	**232,649**	256,354
Restricted bank balances	18	**-**	258,469
Bank balances and cash	18	**133,445**	109,321
TOTAL ASSETS		**4,094,284**	4,768,044
LIABILITIES			
Outstanding claims and family takaful reserve	14	**473,451**	574,950
Payable to participants for unit-linked contracts	19	**1,947,556**	2,394,963
Unearned contribution reserve	15	**378,828**	327,756
Short term borrowings	20	**-**	25,000
Takaful balances payable	21	**216,544**	205,662
Other payables and accruals	22	**259,445**	391,906
Lease liabilities	8	**8,821**	4,639
Total liabilities		**3,284,645**	3,924,876
EQUITY			
Share capital	24	**1,210,000**	1,210,000
Treasury shares	25	**(35,972)**	(35,972)
Statutory reserve	26	**104,077**	101,262
Accumulated losses		**(376,447)**	(371,672)
Other reserves	27	**(159,807)**	(136,131)
Equity attributable to Owners of the Company		**741,851**	767,487
Non-controlling interest	28	**67,788**	75,681
Total equity		**809,639**	843,168
TOTAL LIABILITIES AND EQUITY		**4,094,284**	4,768,044

To the best of our knowledge, the consolidated financial statements fairly present, in all material respects, the financial position, results of operation and cash flows of the Group as of, and for the year ended 31 December 2022. These consolidated financial statements were authorised for issue and approved by the Board of Directors on 20 March 2023 and signed on their behalf by:

Jassim Al Seddiqi
Chairman

Fadi Aboul Hosn
Chief Financial Officer

The attached notes 1 to 50 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2022

	Notes	*2022 AED'000*	*2021 AED'000*
Underwriting income			
Gross written contributions	37	**1,118,322**	1,088,077
Less: reinsurance and retakaful contributions ceded		**(367,981)**	(394,413)
Net contributions		**750,341**	693,664
Net movement in unearned contributions		**(48,654)**	(41,698)
Contributions earned	37	**701,687**	651,966
Commission received on ceded reinsurance and retakaful		**35,494**	38,454
		737,181	690,420
Underwriting expenses			
Gross claims paid		**552,475**	527,180
Less: reinsurance and retakaful share of claims paid		**(220,599)**	(275,848)
Net claims paid		**331,876**	251,332
Net movement in outstanding claims and family takaful reserve		**(31,348)**	(27,602)
Claims incurred	37	**300,528**	223,730
Commissions paid and other costs	37	**290,080**	305,311
		590,608	529,041
Net underwriting income	37	**146,573**	161,379
Income from other sources			
Income from investments	29	**40,660**	18,427
Other income		**16,713**	18,057
		203,946	197,863
Expenses			
General, administrative and other expenses	30	**(148,109)**	(137,043)
Financial expenses		**(3,406)**	(3,350)
Net profit before tax for the year		**52,431**	57,470
Taxation – current	31	**(9,969)**	(9,297)
Net profit after tax before distribution to policyholders'		**42,462**	48,173
Attributable to:			
Shareholders		**28,148**	40,053
Non-controlling interest		**14,314**	8,120
		42,462	48,173
Basic and diluted earnings per share (AED)	32	**0.024**	0.034

The attached notes 1 to 50 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	***2022 AED'000***	*2021 AED'000*
Net profit after tax and distribution to policyholders		**42,462**	48,173
Other comprehensive loss net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Net movement or change in foreign exchange translation reserve		**(48,547)**	(8,808)
Net changes in fair value of investments		**516**	(2,132)
Share of other comprehensive income of associate	9	**252**	791
Other comprehensive loss		**(47,779)**	(10,149)
TOTAL COMPREHENSIVE (LOSS) / INCOME		**(5,317)**	38,024
Attributable to:			
Shareholders		**2,911**	30,190
Non-controlling interest		**(8,228)**	7,834
		(5,317)	38,024

The attached notes 1 to 50 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Share capital AED'000	*Statutory reserve AED'000*	*Revaluation reserve AED'000*	*Foreign exchange translation reserve AED'000*	*Investment fair value reserve AED'000*	*Treasury shares AED'000*	*Accumulated losses AED'000*	*Regulatory reserve AED '000*	*Total AED'000*	*Non-controlling interest AED'000*	*Total equity AED'000*
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 year	-	-	-	-	-	-	28,148	-	28,148	14,314	42,462
Other comprehensive income											
Net movement or change in foreign exchange translation reserve	-	-	-	(26,005)	-	-	-	-	(26,005)	(22,542)	(48,547)
Net changes in fair value of investments	-	-	-	-	516	-	-	-	516	-	516
Share of other comprehensive income of associate (note 9)	-	-	-	-	252	-	-	-	252	-	252
Total other comprehensive loss	-	-	-	(26,005)	768	-	-	-	(25,237)	(22,542)	(47,779)
Total comprehensive income for the year	-	-	-	(26,005)	768	-	28,148	-	2,911	(8,228)	(5,317)
Transactions with owners, recorded directly in equity											
Board Remuneration	-	-	-	-	-	-	(4,800)	-	(4,800)	-	(4,800)
Capital Increase	-	-	-	-	-	-	-	-	-	838	838
Dividend paid (note 45)	-	-	-	-	-	-	(23,747)	-	(23,747)	(503)	(24,250)
Transfer to regulatory reserve	-	-	-	-	-	-	(1,561)	1,561	-	-	-
Transfer to statutory reserve (note 26)	-	2,815	-	-	-	-	(2,815)	-	-	-	-
Balance at 31 December 2022	**1,210,000**	**104,077**	**20,753**	**(156,723)**	**(27,154)**	**(35,972)**	**(376,447)**	**3,317**	**741,851**	**67,788**	**809,639**

The attached notes 1 to 50 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2022

	Share capital AED'000	*Statutory reserve AED'000*	*Revaluation reserve AED'000*	*Foreign exchange translation reserve AED'000*	*Investment fair value reserve AED'000*	*Treasury shares AED'000*	*Accumulated losses AED'000*	*Regulatory reserve AED '000*	*Total AED'000*	*Non-controlling interest AED'000*	*Total equity AED'000*
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 year	-	-	-	-	-	-	40,053	-	40,053	8,120	48,173
Other comprehensive income											
Net movement or change in foreign exchange translation reserve	-	-	-	(8,522)	-	-	-	-	(8,522)	(286)	(8,808)
Net changes in fair value of investments	-	-	-	-	(2,132)	-	-	-	(2,132)	-	(2,132)
Share of other comprehensive income of associate (note 9)	-	-	-	-	791	-	-	-	791	-	791
Total other comprehensive loss	-	-	-	(8,522)	(1,341)	-	-	-	(9,863)	(286)	(10,149)
Total comprehensive income for the year	-	-	-	(8,522)	(1,341)	-	40,053	-	30,190	7,834	38,024
Transactions with owners, recorded directly in equity											
Change in non-controlling interest on disposal of Subsidiary	-	-	-	-	-	-	-	-	-	-	-
Dividend paid (note 45)	-	-	-	-	-	-	(98,037)	-	(98,037)	(6,485)	(104,522)
Transfer to regulatory reserve	-	-	-	-	-	-	(1,624)	1,624	-	-	-
Transfer to statutory reserve (note 26)	-	4,005	-	-	-	-	(4,005)	-	-	-	-
Balance at 31 December 2021	1,210,000	101,262	20,753	(130,718)	(27,922)	(35,972)	(371,672)	1,756	767,487	75,681	843,168

The attached notes 1 to 50 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2022

		2022 AED'000	2021 AED'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit after tax and distribution to policyholders		**42,462**	48,173
Adjustments for:			
Depreciation on property and equipment	5	**3,246**	2,937
Depreciation on right-to-use assets	8	**2,564**	3,591
Amortisation of intangible assets	6	**1,530**	852
Share of profit from associates	9	**(1,720)**	(1,960)
Net movement in unearned contribution reserve	15	**13,287**	40,933
Unrealised (gain) / loss on investment	29	**(6,795)**	36,634
Unrealised gain on investment properties	29	**(9,171)**	(4,220)
Provision and impairment of receivables	13	**3,956**	(1,307)
Dividend income	29	**(55)**	(827)
Operating cash flows before changes in operating assets and liabilities		**49,304**	124,806
Decrease in deposits with takaful and retakaful companies	12	**1,040**	18
Increase in contributions and takaful balance receivable	13	**(81,838)**	(4,321)
Decrease in other assets and receivables	17	**23,705**	119,186
Decrease in outstanding claims (net of retakaful)	14	**(50,930)**	(31,058)
(Decrease) / Increase in takaful payables and other payables	21,22	**(121,579)**	114,312
Net cash (used) / generated from operating activities		**(180,298)**	322,943
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment-net	5	**(1,987)**	(1,679)
Purchase of intangible assets-net	6	**(1,775)**	(3,060)
Investment property-net	7	**(233)**	-
Net movement in deposits	10	**(29,462)**	(36,821)
Repayment of principal and interest on lease liability	8	**(2,949)**	(3,923)
Dividend income from associates	9	**1,231**	1,236
Change in Investments-net	11	**33,763**	65,787
Change in unit-linked contracts assets and liabilities		**522**	2,386
Increase in term deposits under lien	18	**(4,107)**	3,248
Dividends received	29	**55**	827
Cash (used) / from investing activities		**(4,942)**	28,001
CASH FLOWS FROM FINANCING ACTIVITIES			
Net movement in non-controlling interest		**335**	1,181
Funds received / repayment of short term borrowings		**(25,000)**	25,000
Dividend paid	45	**(23,747)**	(98,037)
Board Remuneration	16	**(4,800)**	-
Cash used in financing activities		**(53,212)**	(71,856)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(238,452)**	279,088
Cash and cash equivalents at 1 January		**104,440**	83,821
Restricted Cash at Bank		**258,469**	(258,469)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 18)		**124,457**	104,440

The attached notes 1 to 50 form part of these consolidated financial statements.

1. GENERAL INFORMATION

Islamic Arab Insurance Co. (Salama) PJSC (the "Company") is a public joint stock 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 under registration number 42381 with Ministry of Economy and under registration number 17 with the Insurance Authority. 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 Articles of the Company, UAE Federal Law No. 32 of 2021 for commercial companies and UAE Federal Law No. (6) of 2007, concerning regulations of insurance operations.

On 20 September 2021, the UAE Federal Decree Law No. 32 of 2021 ("Companies Law") was issued and came into effect on 2 January 2022 which repealed the UAE Federal Law No. 2 of 2015. the Companies have 12 months from 2 January 2022 ("the transitional period") to comply with the provisions of the UAE Federal Decree Law No 32 of 2021. The Group complied with the new provisions and requirements of the UAE Federal Decree Law No 32 of 2021 and obtained approval from the CBUAE on the required amendments to its Articles of Association in order to align with the new provisions and the requirements. The Articles of Association will be finalized upon issuance of the certificate of amendments by the Securities and Commodities Authority.

The Company and its subsidiaries are referred to as "the Group". Tariic Holding BSC (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. Details of the Company's subsidiaries are mentioned in note 27 of these consolidated financial statements. The Group has the following principal subsidiaries which are engaged in insurance and reinsurance under Islamic Shari'ah principles:

Subsidiaries	**Principal activities**	**Group's ownership** **2022**	2021	**Country of incorporation**
Directly owned				
Tariic Holding Company B.S.C	No takaful operations	99.40%	99.40%	Kingdom of Bahrain
Misr Emirates Takaful Life Insurance Co.	Family Takaful	85.19%	85.19%	Egypt
Salama Immobilier	No takaful operations	84.25%	84.25%	Senegal
Egyptian Saudi Insurance House	General Takaful	51.15%	51.15%	Egypt
Through Tariic				
Salama Assurances Algeria	General Takaful	96.98%	96.98%	Algeria

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

2.1 New standards and interpretations effective after 1 January 2022

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2022, have been adopted in these consolidated financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. 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 relating to 'Interest Rate Benchmark Reform - Phase 2, that address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates;
- Amendments relating to IAS 16, IAS 37, IFRS 3 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16;
- Amendment to IFRS 16 'Leases' to provide lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022.

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 standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below.

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

- Amendments to IAS 1: Classification of Liabilities as Current or Non-current. Effective for annual period beginning on or after 1 January 2023.
- Amendments to IAS 8: Definition of Accounting Estimates. Effective for annual reporting periods beginning on or after 1 January 2023. Early adoption is permitted.
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies. Effective for annual period beginning on or after 1 January 2023 with earlier application permitted.
- IFRS 17: Insurance Contracts. Effective for annual period beginning on or after 1 January 2023

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 17, mentioned below, may have no material impact on the consolidated financial statements of the Group in the period of initial application.

Management anticipates that IFRS 17 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2023. The application of IFRS 17 may have significant impact on amounts reported and disclosures made in the Group's consolidated financial statements in respect of its insurance contracts. However, it is not practicable to provide a reasonable estimate of the effects of the application of this standard until the Group performs a detailed review.

IFRS 17, 'Insurance Contracts'

IFRS 17 replaces IFRS 4 Insurance Contracts and is effective for accounting periods beginning on or after 1 January 2023, with early adoption permitted. The company expects to first apply IFRS 17 on that date. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features ("DPF").

The company has an IFRS 17 Steering Committee in place whose responsibility is to provide direction, recommend decisions and drive the implementation of the IFRS 17 project to ensure it is delivered successfully within the timelines set by the regulator and in line with the direction set by the board of directors. It comprises of senior management from various functions including finance, actuarial, information technology, operations, and reinsurance. Listed below are the key activities of the IFRS 17 Steering committee:

- Monitors IFRS 17 project implementation and makes recommendations on the proposed changes to the project objectives and scope.
- Provides direction on the delivery of the IFRS 17 implementation project and escalates and recommends actions to the board of directors.
- Reviews and approves proposed budget to-date, drawdowns, decisions and change requests based on the budget approved by the board.
- Acts as an escalation point for any risks and issues relating to the IFRS 17 project that require immediate attention of the business or escalation to the senior management and / or the board of directors, as necessary.
- Provides oversight on project decisions and risks impacting the business.

The company has implemented an IFRS 17 core system to cater to the requirements of IFRS 17 standard and is currently in the implementation phase and working on making the necessary adjustments / enhancements in the IFRS 17 system and in providing the necessary data into the system for the extraction of IFRS 17 results.

The IFRS 17 Non-Life models have been set up for all classes including transition models. All Non-Life modelling has been carried out using the Premium Allocation Approach (PAA). However, the company is further collecting and fine-tuning the data to extract accurate IFRS 17 results.

For the Life portfolio, the IFRS 17 models have been built including allowance for Risk Adjustment, and other required input assumptions. The developments for investment component and coverage units have been incorporated. These models will be used to calculate transition balances in line with the transition approach selected for each portfolio.

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 (continued)

IFRS 17, 'Insurance Contracts' (continued)

Significant Judgements and Accounting Policy Choices
The Group is expected to apply the following significant accounting policies in the preparation of financial statements in accordance with IFRS 17:

a) *Combination/Unbundling of Contracts*
The investment components included in the life insurance contracts are highly interrelated to the insurance component and are thus not distinct. Accordingly, Salama shall not unbundle the cash flows related to the investment component.

In the case of non-life policies/general takaful, roadside assistance is the only service component that is offered along with the motor policies. However, since these are dependent upon the insured event (such as mechanical issues in case of a breakdown) and the road-side assistance cover also ends once the policy expires, these are not distinct. Thus, Salama shall not unbundle the roadside assistance offered along with motor policies.

b) *Level of Aggregation - Portfolio*
While deciding on the portfolio level under IFRS 17, Salama has considered the criteria of “similar risk and managed together” while considering the materiality of each product / portfolio.

Similar Risks
The risks to be considered when defining portfolios should be insurance risks that the company accepts from the policyholder and non-financial risks. Contracts within the product line would be expected to have similar risks and hence would be expected to be in the same portfolio, if they are managed together.

Managed Together
Portfolio is managed together when it is analyzed and used in aggregate for decision making reporting and assessment of business performance.

From the company’s analysis of its products, the level of aggregation is based on the nature of the business, features of the product and the contract boundary, while considering the materiality of each product / portfolio. Based upon these factors, the company has identified the below portfolio, along with the measurement model applicable on each portfolio:

Portfolio	***Measurement Model***
Life Participating	Variable Fee Approach
Life Non-participating	General Measurement Model
Group Life	Premium Allocation Approach / General Measurement Model
Group Credit Life	General Measurement Model
Engineering	Premium Allocation Approach
Fire	Premium Allocation Approach
General Accident	Premium Allocation Approach
Liabilities	Premium Allocation Approach
Marine	Premium Allocation Approach
Motor	Premium Allocation Approach
Health	Premium Allocation Approach

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 (continued)

IFRS 17, 'Insurance Contracts' (continued)

Significant Judgements and Accounting Policy Choices (continued)

c) *Significant Judgements and Estimates*

i. *PAA eligibility assessment approach*

Premium allocation approach is a simplified measurement approach that the company can adopt if it reasonably expects that the PAA would produce a measurement for a group of contracts that would not differ materially from the one that would be produced applying the GMM, or if the coverage period of each contract in the group is one year or less.

The PAA applies to the liability for remaining coverage (LRC) and demonstrates the obligation that relates to the unexpired portion of the coverage period. The liability for incurred claims (LIC) is measured in the same way as done for GMM (with some choices available).

Salama performed the PAA Eligibility Test on the following portfolios.

- Fire
- Liability
- Engineering
- Motor
- Marine
- General Accident

Salama has decided to set the acceptable threshold for the comparison of LRC between PAA and GMM using a combination of relative and absolute materiality criteria. A group of contracts fails PAA eligibility only if the difference between the LRC under PAA and GMM is outside the acceptable level of both the relative as well as the absolute materiality threshold.

Based on the above-mentioned criteria, PAA Eligibility test were performed and based on the results all the above portfolios passed the PAA Eligibility Test, as the differences were less than the materiality thresholds.

ii. Discounting

Discount rates are required for discounting projected fulfilment cash flows and adjusting carrying amounts to reflect the time-value of money. This is relevant for the calculation of LRC, LIC, Contractual Service Margin (CSM) and loss component (as applicable). Thus, the key requirements of discount rates are that they:

- Reflect the time value of money, the characteristics of the cash flows and the liquidity characteristics of the insurance contracts.
- Are consistent with observable current market prices; and
- Exclude the effects of factors that affect observable market prices used in determining the discount rate, but do not affect the future cash flows of the insurance contract.

Considering the investment portfolio and the insurance contracts written by Salama, the entity has decided to proceed with the bottom-up approach to compute the discount rate. The bottom-up approach has been decided since a high asset-liability matching is not required.

iii. Risk Adjustment

The company shall adjust the estimate of the present value of future cash flows to reflect the compensation that the entity requires for bearing the uncertainty about the amount and timing of the cash flows that arise from non-financial risk.

The risks covered by the risk adjustment for non-financial risk are insurance risks and other non-financial risks such as lapse and expense risks.

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

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 (continued)

IFRS 17, 'Insurance Contracts' (continued)

Significant Judgements and Accounting Policy Choices (continued)

iii. Risk Adjustment (continued)
The Company reviewed a range of possible methodologies to estimate the RA for LRC and LIC. For RA LIC, under non-life and group life lines of business, Salama has decided to use the Mack approach. For LRC RA, under non-life and group life, the Company has decided to use a simplified approach to calculate the RA.

For long term life contracts, the company will use the Provision for Adverse Deviation approach or the e-forms approach based on the availability of data for LRC RA. For LIC RA, since LIC is not significant for the individual life groups of contracts, the company will use the same risk adjustment % as calculated for LRC.

The percentile to be used for calculation of Risk Adjustment for non-life and life portfolios, will be finalized once the Risk Adjustment is run on the transition data.

iv. CSM release pattern
IFRS 17 determines the coverage units as the quantity of service provided under the contracts in the group and is determined by considering, for each contract, the quantity of benefits provided and its expected coverage. The company has established the relevant procedures for the derivation and release of CSM and the IFRS 17 systems implemented also have the capability to measure the LRC and subsequently release the CSM as per a defined release pattern.

Salama reviewed the available options under the standard for the coverage units – earned premium, sum assured, number of policies, etc. The company has decided to use the benefits expected to be provided by the Company (Investment and Insurance Services) under the different products as coverage units for long term life contracts. For non-life contracts, the Company has decided to use earned premium as the coverage units for group of contracts that would not be eligible for PAA (or as required for loss component calculation or PAA eligibility testing).

For all the groups of contracts for which the company has decided to apply the premium allocation approach for the measurement of LRC, the derivation of CSM and its release during the period is not required.

v. Onerosity determination
Under the PAA, the company shall assume no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise. The company will perform the assessment of onerous contracts on an annual and underwriting year basis in conjunction with updated information on the profitability of the products. Furthermore, the assessment shall be repeated if facts and circumstances indicate that there are significant changes in the pricing, design, plans or forecasts of the product.

The company is in the process of establishing a process to capture onerous, potentially onerous, and profitable contracts by assuming the profitability of the different portfolios at the start of the underwriting year. The profitability of each portfolio shall be assessed separately, and different criteria will be used for non-life and life portfolios. For non-life portfolios, the company shall provide a series of estimates for historical combined ratios which will be adjusted to reflect the expected combined ratio and enable the differentiation between onerous, profitable and "others" group of contracts. For life portfolios, the Company shall calculate risk adjusted profit margin for long term life contracts. Once the portfolios are classified into groups according to the profitability, the company will not reassess the composition of the groups subsequently.

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 (continued)

IFRS 17, 'Insurance Contracts' (continued)

Significant Judgements and Accounting Policy Choices (continued)

d) *Accounting Policy Choices*

i. Length of Cohorts

Portfolio of contracts identified were separated to form annual cohorts, so each cohort contains contracts with issue dates no more than a year apart. Salama has decided that annual cohorts will be based on the issue year from 1st January to 31st December.

As the current financial reporting is done on a calendar year basis and all the financial reports are prepared on the calendar year basis, calendar year is most suitable for the company for the definition of annual cohorts. This will also be in line with reporting and regulatory timelines.

ii. Use of other comprehensive income for insurance finance income or expense

An entity may decide to include insurance finance income/expense either in the P&L or systematically allocate it between P&L and OCI. Generally, the option to systematically allocate between OCI and P&L is used to reduce volatility in P&L.

Salama has decided to account for the insurance finance income or expenses in P&L instead of disaggregating it between P&L and OCI. Since the majority of Salama's portfolio is short term, the impact of discounting is not expected to be material.

Further, for the group of contracts run under VFA, a significant level of interest rate volatility is not expected, since the volatility is absorbed by the CSM. Accordingly, Salama has decided to account for changes in LIC and LRC in the P&L for such contracts.

iii. Unwinding of Discount on Risk Adjustment

The Company has decided not to disaggregate the changes in the risk adjustment between the changes due to financial risks and non-financial risks.

Most of Salama's portfolio is short term with a short claims settlement pattern. Material impact of discounting on risk adjustment is not expected since most of the business is short tailed. Also, the option to not disaggregate the impact is operationally simpler.

Further, since Salama shall account for changes in insurance finance income / expense in the P&L, Salama has decided not to disaggregate the changes in the risk adjustment between the changes due to financial risks and non-financial risks.

iv. Expense Attribution

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

- Fully attributable expenses
  Expenses which are directly related to fulfilling an insurance obligation. Expenses such as commissions paid to brokers, are considered fully attributable expenses.

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

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 (continued)

IFRS 17, 'Insurance Contracts' (continued)

Significant Judgements and Accounting Policy Choices (continued)

a) Accounting Policy Choices (continued)

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

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

a) Acquisition cost
b) Claims related expenses
c) Maintenance expenses

v. Deferral of Acquisition Cost
In applying the premium allocation approach, an entity may choose to recognize any insurance acquisition cash flows as expenses when it incurs those costs, provided that the coverage period of each contract in the group at initial recognition is no more than one year.

Salama currently amortizes acquisition cash flows for all lines expected to be measured using the PAA. The company will use the same approach under IFRS 17 as this would not only ensure consistency with current practice but would also be consistent with the treatment under GMM.

b) Presentation and Disclosure

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

In addition, IFRS 17 requires more granular and detailed disclosures to provide information on the composition and movements of the amounts recognized in the financial statements that arise from insurance contracts in the form of roll forward and reconciliation tables. Quantitative and qualitative information is also required to be disclosed relating to the significant judgments made when applying IFRS 17 and on the nature and extent of the risks that arise from insurance contract issued.

The guidelines related to financial statements and disclosures are as follows:

i. Statement of Comprehensive Income
Companies are required to disaggregate the amounts recognized in the SOCI into insurance revenue, insurance service expenses and insurance finance income or expense. A mandatory subtotal called insurance service result includes insurance revenue and insurance service expenses, and includes results from the reinsurance contracts for which there is an option in the standard to present reinsurance cessions and recoveries separately or present them as a single line item. The company has opted to present them separately.

Furthermore, the insurance finance income and expenses related to insurance contracts issued and reinsurance contracts held shall also be represented separately.

a) Insurance Revenue
Under PAA, insurance revenue for the period is the amount of expected premium receipts allocated during the period, excluding an investment component and adjusted for time value of money and the effect of financial risk. The allocation of insurance revenue for the period under PAA will be based on the passage of time.

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 (continued)

IFRS 17, 'Insurance Contracts' (continued)

Significant Judgements and Accounting Policy Choices (continued)

a) Presentation and Disclosure (continued)

Whereas under GMM, insurance revenue for the period is the amount that reflects considerations charged for insurance coverage when earned. It includes mainly release of CSM, release of risk adjustment, expected benefits and expenses, amortization of insurance acquisition cashflows, premium adjustment, etc.

b) Insurance Service Expenses

The Company's insurance service expenses will comprise of the following items:

- Incurred claims and other incurred insurance service expenses
- Amortization of insurance acquisition cash flows
- Changes that relate to past service i.e., changes in fulfillment cashflows relating to the liability for incurred claims
- Changes that relate to future service i.e., losses on onerous groups of contracts and reversals of such losses

Changes that relate to past service refers to changes in fulfillment cash flows related to the liability for incurred claims. Any development of the incurred claims, including changes in expected cash flows and risk adjustment, will be reported in the insurance service expenses.

c) Insurance Finance Income / Expenses

In applying the premium allocation approach, entity shall measure the liability for incurred claims for the group of insurance contracts at the fulfillment cash flows related to the incurred claims. However, entity is not required to adjust future cash flows for the time value of money, if those cash flows are expected to be paid in one year or less from the date of claims being incurred.

As per the assessment performed, the Company has claim settlement pattern exceeding 12 months for some of its lines of business. Hence, Salama will adjust future cash flows for the time value of money and the effect of financial risk

Insurance finance income or expense of the company comprises of changes in the carrying amount of the liability for incurred claims arising from the unwinding of the discount rate and changes in discount rates that impact the fulfillment cash flows. For presentation purposes, the company has opted to include all financial income or expense for the period in the profit or loss.

Furthermore, company is required to present insurance finance income or expense related to the insurance contracts issued and reinsurance contracts held on the face of statement of comprehensive income.

ii. Statement of Financial Position

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

a) Insurance contracts that are assets
b) Insurance contracts that are liabilities
c) Reinsurance contracts that are assets
d) Reinsurance contracts that are liabilities

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

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 (continued)

IFRS 17, 'Insurance Contracts' (continued)

Significant Judgements and Accounting Policy Choices (continued)

b) *Transition*

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

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

Whereas for the Group life and Individual life portfolios, considering the long-term length of contracts and unavailability of data at the required level of granularity, Salama intends to use the Fair Value Approach (FVA). Salama will use IFRS 17 Fulfilment Cash Flow models and subsequently adjust them to calculate the fair value of insurance contracts and obtain the CSM at transition date.

IFRS 9 Financial Instruments

The amendments introduce two approaches for entities that apply IFRS 4 to reduce the impact of differing effective dates with IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments: an overlay approach and a temporary exemption from applying IFRS 9. The amended IFRS 4:

- gives all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued (the "Overlay Approach"); and
- gives companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 till the earlier of annual reporting periods beginning before 1 January 2023 or when IFRS 17 becomes effective. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard

– IAS 39 until that time

An insurer that applies the Overlay Approach shall disclose information to enable users of the consolidated financial statements to understand:

a) how the total amount reclassified between profit or loss and other comprehensive income in the reporting period is calculated; and
b) the effect of that reclassification on the financial statements.

The amendments allowing the overlay approach are applicable when the insurer first applies IFRS 9.

An insurer that elects to apply the temporary exemption from IFRS 9 shall disclose information to enable users of the consolidated financial statements:

a) to understand how the insurer qualified for the temporary exemption; and
b) to compare insurers applying the temporary exemption with entities applying IFRS 9

The effective date of the amendments permitting the temporary exemption is for annual periods beginning on or after 1 January 2018. The temporary exemption is available for annual reporting periods beginning before 1 January 2023 and will expire once IFRS 17 becomes effective.

The Group qualifies for temporary exemption from applying IFRS 9 on the grounds that it has not previously applied any version of IFRS 9 and its activities are predominantly connected with insurance with the carrying amount of its liabilities within the scope of IFRS 4 being greater than 90 per cent of the total carrying amount of all its liabilities at 31 December 2015 and with no subsequent change in its activities.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to each of the years presented.

3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretation issued by the IFRS Interpretation Committee ("IFRSIC") applicable to companies under IFRS as issued by the International Accounting Standards Board ("IASB") and the applicable requirements of the United Arab Emirates (U.A.E.) Federal Law No. 32 of 2021, the United Arab Emirates (U.A.E.) Federal Law No. 6 of 2007 on Establishment of Insurance Authority and Organization of its Operations as amended and the CBUAE (formerly the UAE Insurance Authority) Board of Directors' Decision No. (25) of 2014 pertinent to the Financial Regulations for Insurance Companies. The consolidated financial statements comply with IFRS.

3.2 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for revaluation of certain financial instruments as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

The principal accounting policies are set out below.

3.3 Functional and presentation currency

These consolidated financial statements are presented in UAE Dirham (AED), which is the functional currency of the Company. Except as otherwise indicated, financial information presented in UAE Dirham has been rounded to the nearest thousand.

3.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Basis of consolidation (continued)

The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and consolidated statement of comprehensive income from the date the Group gains control until the date when the Company ceases to control the subsidiary.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable IFRS Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 when applicable, or the cost on initial recognition of an investment in an associate or a joint venture. Details of the Group's subsidiary at 31 December 2022 are mentioned in Note 1.

3.5 Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit and loss as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Business combination (continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the ‘measurement period’ (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3.6 Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Investments in associates (continued)

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or a joint venture is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate or joint venture is disposed of.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3.7 Takaful contracts

3.7.1 Classification

The Group issues contracts that transfer either takaful risk or both takaful and financial risks. The Group does not issue contracts that transfer only financial risks.

Contracts under which the Group accepts significant takaful risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholder are classified as takaful contracts. Takaful risk is significant if an insured event could cause the Group to pay significant additional benefits due to happening of the insured event compared to its non-happening.

Takaful contracts may also transfer some financial risk. Financial risk is the risk of a possible future change in one or more of a specified profit rate, security price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Contracts where takaful risk is not significant are classified as investment contracts. Once a contract is classified as a takaful contract it remains classified as a takaful contract until all rights and obligations are extinguished or expire.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Takaful contracts (continued)

3.7.2 Recognition and measurement

Takaful contracts are classified into three main categories, depending on the duration of risk and whether or not the terms and conditions are fixed.

General Takaful contracts
Gross written contributions, in respect of annual policies, are recognised in the consolidated statement of profit or loss at policy inception. The contributions are spread over the tenure of the policies on a straight line basis, and the unexpired portion of such contributions are included under "unearned contributions" in the consolidated statement of financial position.

Family Takaful contracts
These contracts relate to human life events, for example death, bodily injury etc. For short term contracts, normally with group customers, the contributions are recognised when due. For long term contracts, normally with individual customers, the contributions are booked on receipt.

Investment featured unit-linked contracts
A unit-linked takaful contract is a takaful contract linking payments on the contract to units of investment funds administrated by the Group with the contributions received from the plan holder. These funds are administrated by the Group on behalf of plan holders in fiduciary trust as a Mudarib (Manager). In addition, Group manages Tabarru fund on behalf of plan holders to meet the obligations arising out of takaful operations. The Group has no recourse to the assets of Tabarru fund. An investment charge based on a certain percentage of value of fund is charged as fee. The liability towards the plan holder is linked to the performance of the underlying assets of these funds. This embedded derivative meets the definition of a takaful contract. Since all the liabilities arising from the embedded derivative are already measured at fair value and since all the investments on behalf of plan holders are classified as fair value through profit and loss, the Group does not account for embedded derivatives separately.

In case of a claim, the amount paid is the higher of the sum assured or the unit value. The liability is calculated through actuarial valuation based on the present value of expected benefits to plan holders.

Where the Tabarru Fund is insufficient to meet the liabilities, the shareholders shall grant profit free loan to the fund to meet its liabilities under the contracts held with participants. This loan is called Qard-e-Hasan. The Qard-e-Hasan is repaid to shareholders from the future surplus of Tabarru Fund.

The contribution after allocation to unit fund/investment fund of plan holder is called Takaful Donation and is taken to Tabarru fund from where Wakala fee is paid to shareholders. Takaful Donation is based on appropriate rates of mortality and morbidity. The Tabarru fund is a collective pool established, invested and managed in accordance with Shari'ah Principles with the purpose of providing benefits on the lives of covered members (plan holders) and for the repayment of Qard-e-Hasan (if applicable).

The individual life contracts contain investment participation feature. A surplus may arise in Tabarru fund after accounting for the claims, relevant expenses, investment returns and reserves. The surplus is available for the distribution to eligible participants provided there is net surplus in the Tabarru Fund in respect of the relevant year. The distribution is at the discretion of the Board of Directors. This contractual right is supplement to the other benefits mentioned in the contract.

These takaful contracts insure human life events over a long duration. However, Takaful contributions are recognised directly as liabilities. These liabilities are increased by fair value movement of underlying investments/unit prices and are decreased by policy administration fees, mortality and surrender charges and withdrawals, if any.

The liability for these contracts includes any amounts necessary to compensate the Group for services to be performed over future periods. This is the case for contracts where the policy administration charges are higher in the initial years than in subsequent years. The mortality charges deducted in each period from the contract holders as a group are considered adequate to cover the expected total death benefit claims in excess of the contract account balances in each period; no additional liability is therefore established for these claims.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Takaful contracts (continued)

3.7.3 Unearned contribution reserve

The unearned contribution considered in the unearned contributions reserve comprise the estimated proportion of the gross contribution written which relates to the periods of takaful subsequent to the consolidated statement of financial position date. Unearned contribution reserve is calculated using the 1/365 method except for marine and engineering business. The unearned contribution reserve for marine is recognised as fixed proportion of the written contribution as required in the financial regulation. The rate at which the contribution is earned is deemed to increase at the same rate at which the risk faced increases over the lifetime of the policy. Unearned contribution for Family Takaful business are considered by the Group's actuary in the calculation for family takaful reserve.

3.7.4 Claims

Claims incurred comprise the settlement and the internal and external handling costs paid and changes in the provisions for outstanding claims arising from events occurring during the financial period. Where applicable, deductions are made for salvage and their recoveries.

Claims outstanding comprise provisions for the Group's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not, and related internal and external claims handling expenses and reduced by expected salvage and other recoveries. Claims outstanding are assessed by reviewing individual reported claims. Provisions for claims outstanding are not discounted. Adjustments to claims provisions established in prior periods are reflected in the consolidated financial statements of the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

3.7.5 Gross claims paid

Gross claims paid are recognised in the consolidated statement of profit or loss when the claim amount payable to policyholders' and third parties are determined as per the terms of the takaful contracts.

3.7.6 Claims recovered

Claims recovered include amounts recovered from retakaful companies in respect of the gross claims paid by the Group, in accordance with the retakaful contracts held by the Group. It also includes salvage and other claims recoveries.

3.7.7 Gross outstanding and IBNR claims

Gross outstanding claims comprise the estimated costs of claims incurred but not settled at the consolidated financial position date. Provisions for reported claims not paid as at the date of consolidated statement of financial position are made on the basis of individual case estimates. This provision is based on the estimate of the loss, which will eventually be payable on each unpaid claim, established by the management in the light of currently available information and past experience. An additional net provision is also made for any claims incurred but not reported ("IBNR") at the date of consolidated statement of financial position on the basis of management estimates.

The retakaful share of the gross outstanding claims is estimated and shown separately.

3.7.8 Contribution deficiency reserve

Provision is made for contribution deficiency arising from general takaful contracts where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the consolidated financial position date exceeds the unearned contributions provision and already recorded claim liabilities in relation to such policies. The provision for contribution deficiency is calculated by reference to classes of business which are managed together, after taking into account the future investment return on investments held to back the unearned contributions and claims provisions.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Takaful contracts (continued)

3.7.9 Retakaful

The Group cedes retakaful in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Assets, liabilities and income and expense arising from ceded retakaful contracts are presented separately from the assets, liabilities, income and expense from the related takaful contracts because the retakaful arrangements do not relieve the Group from its direct obligations to its policyholders.

Amounts due to and from retakaful operators are accounted for in a manner consistent with the related contributions is included in retakaful assets.

Retakaful assets are assessed for impairment at each consolidated financial position date. A retakaful asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Group may not recover all amounts due, and that event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. Impairment losses on retakaful assets are recognised in consolidated statement of profit or loss in the year in which they are incurred.

Profit commission in respect of retakaful contracts is recognised on an accrual basis.

3.7.10 Deferred commission cost

For short term takaful contracts, the deferred commission cost asset represents the proportion of acquisition costs which corresponds to the proportion of gross contributions written that is unearned at the date of consolidated statement of financial position and becomes part of unearned contribution reserves.

For individual family takaful and long term unit-linked takaful contracts, commission relating to takaful features are amortised systematically over the average policy life. Commission that relates to investments feature is allocated to Participants on prorata basis.

3.7.11 Takaful receivables and payables

Amounts due from and to policyholders, agents, reinsurers and retakaful companies and liability towards Participant Investment Account are financial instruments and are included in takaful receivables and payables, and not in takaful contract provisions or retakaful assets.

3.7.12 Family takaful reserves

The risk reserves are determined by the independent actuarial valuation of future policy benefits. Actuarial assumptions include a margin for adverse deviation and generally vary by type of policy, year of issue and policy duration. Mortality and withdrawal rate assumptions are based on experience. Adjustments to the balance of fund are affected by charges or credits to income.

3.7.13 Salvage and subrogation reimbursements

Some takaful contracts permit the Group to sell property (usually damaged) acquired in settling a claim (salvage). The Group may also have the right to pursue third parties for payment of some or all costs (subrogation). Estimates of salvage recoveries and subrogation reimbursements are recognised as an allowance in the measurement of the takaful liability for claims.

3.7.14 Liability adequacy test

At the end of each reporting period, the Group assesses whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised in income and an unexpired risk provision is created.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Revenue recognition

3.8.1 Takaful contract income

Revenue from takaful contracts is measured under revenue recognition criteria stated under takaful contracts in these consolidated financial statements.

3.8.2 Profit from deposits

Profit from deposits is accrued on a time basis, by reference to the principal outstanding and at the effective profit rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount.

3.8.3 Dividend income

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

3.8.4 Fee and commission income

Fee and commissions received or receivable which do not require the Group to render further service are recognised as revenue by the Group on the effective commencement or renewal dates of the related policies.

3.8.5 Rental income

Rental income from investment properties which are leased under operating leases are recognised on a straight-line basis over the term of the relevant lease.

3.9 Foreign currencies

The consolidated financial statements of the Group are presented in the currency of the primary economic environment in which the Group operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of the Group are expressed in Arab Emirates Dirhams ("AED"), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the consolidated financial statements of the Group, transactions in currencies other than the Company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising are recognised in other comprehensive income and accumulated in a foreign exchange translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in a foreign exchange translation reserve in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates that do not result in the Group losing significant, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Employee benefits

3.10.1 Defined contribution plan

U.A.E. national employees of the Group are members of the Government-managed retirement pension and social security benefit scheme pursuant to U.A.E. labour law no. 7 of 1999. The Group is required to contribute 12.5% of the "contribution calculation salary" of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement pension and social security scheme is to make the specified contributions. The contributions are charged to profit or loss.

3.10.2 Provision for employees' end of service indemnity

Provision is also made for the full amount of end of service indemnity due to non-U.A.E. national employees in accordance with the U.A.E. Labour Law and is based on current remuneration and their period of service at the end of the reporting period. The provision relating to end of service indemnity is a non-current liability.

3.11 Property and equipment

Land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and any identified impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from that which would be determined using the fair values at the reporting date.

Any revaluation increase arising on the revaluation of such land and buildings is credited in other comprehensive income to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation of such land and buildings is charged to profit or loss to the extent that it exceeds the balance, if any, held in the property revaluation reserve relating to a previous revaluation of that asset.

Other property and equipment are carried at cost less accumulated depreciation and any identified impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The estimated useful lives of these assets (except for land) are 4 – 10 years.

Capital work-in-progress is stated at cost incurred from the date of commencement of the project to the date on which it is capitalised. When capitalised, capital work-in-progress is transferred to the appropriate category of property and equipment and depreciated in accordance with the Group's accounting policies.

3.12 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on an annual valuation performed by an accredited external independent valuer.

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. In determining the amount of consideration from the derecognition of investment property the Group considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Intangible assets

Goodwill
Goodwill arises on the acquisition of subsidiaries. Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Computer Software
Intangible assets are reported at cost less accumulated amortisation and identified impairment losses, if any. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The useful lives considered in the calculation of amortisation is 3 - 5 years.

3.14 Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.15 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 Income tax

The Company is not subject to any taxes on profits in the UAE. Taxation on foreign operations of the subsidiaries is provided for in accordance with fiscal regulations applicable in each territory.

3.17 Policyholders' fund

Any deficit in the policyholders' fund is financed by the shareholders through Qard-e-Hasan as per their undertaking. The Group maintains a full provision against such balances (note 23).

3.18 Leases

The Group as lessee
The Group assesses whether contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

The lease liability is presented as a separate line item in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revise discount rate is used).

- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use of asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use of assets are presented as a separate line in the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Leases (continued)

The Group as lessee (continued)
The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for an identified impairment loss as described in the ‘Property and equipment’ policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line ‘General and administrative expenses’ in the consolidated statement of comprehensive income.

As a practical expedient, IFRS16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has used this practical expedient.

The Group as lessor
The Group enters into lease agreements as a lessor with respect to some of its investment properties. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group’s net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company’s net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Company applies IFRS 15 to allocate consideration under the contract to each component.

3.19 Financial assets

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at held for trading, which are initially measured at fair value.

Financial assets of the Group are classified into the following specified categories: bank and cash balance, available-for-sale securities, fair value through profit or loss, held to maturity investments and ‘loans and receivables’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

3.19.1 Bank balances and cash

Bank balances and cash comprise cash on hand and deposits and current accounts with banks that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3.19.2 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term with any resultant gain or loss recognised in profit or loss.

3.19.3 Held to maturity investment

If the Group has the positive intent and ability to hold debt securities and islamic placements to maturity, and these debt securities and islamic placements have not been designated at fair value through profit or loss, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective profit sharing rate, less any impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.19 Financial assets (continued)

3.19.4 Available-for-sale securities

Available-for-sale securities are initially measured as cost, being fair value, including transaction costs, and are subsequently re-measured to fair value. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the cumulative changes in fair value of available-for-sale securities reserve with the exception of impairment losses, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the cumulative change in fair value is reclassified to profit or loss.

Dividend on available-for-sale securities are recognised in profit or loss when the Group's right to receive the dividend is established.

3.19.5 Loans and receivables

Takaful and other receivables (excluding prepayments) and due from related parties that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are initially measured at fair value, plus transaction costs and subsequently measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3.19.6 Impairment of financial assets

Financial assets, other than those at held for trading, are assessed for indicators of impairment at the end of each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been affected.

For investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For certain categories of financial asset, such as takaful and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio as well as observable changes in national or local economic conditions that correlate with default on receivables.

For held to maturity investment, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of insurance receivables, where the carrying amount is reduced through the use of an allowance account. When a contract receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an available-for-sale securities is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

With the exception of available-for-sale, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

3.19.7 Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.20 Financial liabilities and equity instruments issued by the Group

3.20.1 Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

3.20.2 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

3.20.3 Treasury shares

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity in consolidated statement of changes in equity.

3.20.4 Financial liabilities

Financial liabilities are classified as ‘other financial liabilities’.

3.20.5 Other financial liabilities

Takaful and other payables and due to related parties are classified as ‘other financial liabilities’ and are initially measured at fair value, net of transaction costs. Other financial liabilities (except for deferred reinsurance commission) are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis except for short term payable when the recognition of interest would be immaterial.

Takaful and other payables and due to related parties are classified as ‘other financial liabilities’ and are initially measured at fair value, net of transaction costs. Other financial liabilities (except for deferred reinsurance commission) are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis except for short term payable when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

3.20.6 Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or they expire.

3.20.7 Dividend distribution

Dividend distribution to the Group’s shareholders is recognised as a liability in the Group’s consolidated financial statements in the period in which the dividend is approved by the Group’s shareholders.

3.21 Underwriting income attributable to policyholders and shareholders

As stated in note 1, the Group operates in accordance with Islamic Shari’ah principles. As a result, the net underwriting income from the operations of the Group is attributable to policyholders in accordance with the terms and conditions of takaful contracts acquired by the policyholder which stipulates that the insured, on taking out this policy from the Group becomes entitled to participate in the contributions pool with insured parties in the class of takaful on cooperative (mutual) basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.21 Underwriting income attributable to policyholders and shareholders (continued)

The relationship of the insured with the Group is determined particularly as to his share in the surplus net of management expenses, liabilities for claims and necessary reserves, by the Board of Directors of the Group for the class of takaful at the end of fiscal year of the Group. The Group undertakes to pay such share to the insured in the net profits in accordance with the resolution of the Board of Directors of the Company after the close of fiscal year of the Group. However, the net underwriting income from the operations of subsidiaries is attributable to the shareholders in accordance with the regulations prevailing in the jurisdiction of each subsidiary.

3.22 Operating segment

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Group Management Committee (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3 to these consolidated financial statements, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 Critical accounting judgements

The following are the critical judgements, apart from those involving estimations (see 4.2 below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

4.1.1 Classification of investments

Management decides on acquisition of an investment whether it should be classified as held to maturity, held for trading or available-for-sale. The Group classifies investments at held for trading if they are acquired primarily for the purpose of making a short term profit by the dealers.

Equity instruments are classified as available-for-sale securities when they are considered by management to be strategic equity investments that are not held to benefit from changes in their fair value and are not held for trading.

Management is satisfied that the Group's investments in securities are appropriately classified.

4.1.2 Classification of properties

In the process of classifying properties, management has made various judgments. Judgments are needed to determine whether a property qualifies as an investment property, property and equipment, property under development and/or property held for sale. Management develops criteria so that it can exercise that judgment consistently in accordance with the definitions of investment property, property and equipment, property under development and property held for sale. In making its judgment, management has considered the detailed criteria and related guidance set out in IAS 2 – Inventories, IAS 16 – Property, plant and equipment, and IAS 40 – Investment Property, with regards to the intended use of the property.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

4.1 Critical accounting judgements (continued)

4.1.3 Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension, automatic renewal options are only included in the lease term if the lease is reasonably certain to be extended.

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

4.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4.2.1 The ultimate liability arising from claims made under takaful and retakaful contracts

The estimation of ultimate liability arising from the claims made under takaful contracts is the Group's most critical accounting estimate. There are sources of uncertainty that need to be considered in the estimate of the liability that the Group will eventually pay for such claims. Estimates have to be made both for the expected ultimate cost of claims reported and for the expected ultimate cost of claims incurred but not reported ("IBNR") at the end of each reporting period. Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Group and management estimates based on internal and external actuarial assessment, taking into account the historical data of the claims reported and settlement pattern. Further, a range of methods are used by management and the internal actuary/independent external actuary to determine these provisions. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims. Changes in these assumptions can result in material impacts to the valuation of these liabilities. Such method takes into account the best estimates of the future contractual cash flows estimated based on the historical data. At the end of each reporting period, prior year claims estimates are reassessed for adequacy and changes are made to the provision.

The Group has performed an assessment of the impact of COVID-19 on its contractual arrangements and provisions for outstanding claims and claims incurred but not reported which included regular sensitivity analyses. The Group determined that there is no material impact on its risk position and provision balances for outstanding claims and claims incurred but not reported, as at 31 December 2022. The Group will continue monitoring its claims experience and the developments around the pandemic and revisit the assumptions and methodologies in future reporting periods.

4.2.2 Impairment of takaful receivables

An estimate of the collectible amount of takaful receivables is made when collection of the full amount is no longer probable. This determination of whether the takaful receivables are impaired, entails the Group evaluating, the credit and liquidity position of the policyholders and the insurance/takaful companies, historical recovery rates and feedback received from the legal department. The difference between the estimated collectible amount and the book amount is recognised as an expense in the profit or loss. Any difference between the amounts actually collected in the future periods and the amounts expected will be recognised in the profit or loss at the time of collection.

4.2.3 Liability adequacy test

At the end of each reporting period, liability adequacy tests are performed to ensure the adequacy of takaful contract liabilities. The Group makes use of the best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities in evaluating the adequacy of the liability. Any deficiency is immediately charged to the profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

4.2 Key sources of estimation uncertainty (continued)

4.2.4 Amortization of deferred commission costs and deferred commission income

The amount of commission costs to be deferred is dependent on judgments as to which issuance costs are directly related to and vary with the commission. commission cost on long-term Takaful contracts without fixed terms with investment participation feature are amortised over the expected total life of the contract group as a constant percentage of estimated gross profit margins (including investment income) arising from these contracts in accordance with the accounting policy stated in note 3.8.10. The pattern of expected profit margins is based on historical and anticipated future experiences which consider assumptions, such as expenses, lapse rates or investment income and are updated at the end of each accounting period.

4.2.5 Depreciation of property and equipment

The cost of property and equipment is depreciated over the estimated useful life, which is based on expected usage of the asset, expected physical wear and tear, the repair and maintenance program and technological obsolescence arising from changes and the residual value. Management has not considered any residual value as it is deemed immaterial.

4.2.6 Impairment of available-for-sale securities - Unquoted

The Group determines whether available for sale securities are impaired when there has been a significant or prolonged decline in their fair value below cost. This determination of what is significant or prolonged requires judgement. In making this judgement and to record whether impairment occurred, the Group evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology and operational and financial cash flows.

4.2.7 Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash generating units to which goodwill is allocated. Estimating the value-in-use required the Group to make an estimate of the expected future cash flows from each cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

4.2.8 Discounting of lease payments

The lease payments are discounted using the Group's incremental borrowing rate ("IBR"). Management has applied judgments and estimates to determine the IBR at the commencement of lease. Group discounted lease payments using the incremental borrowing rate of 4.5% per annum.

4.2.9 Revaluation of land and building

IAS 16 – Land and building require revaluations to be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Management has estimated a period of 3 years as sufficient regularity for revaluation of land and building.

4.2.10 Valuation of investment properties

The fair value of investment properties were determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the properties being valued. The independent valuers provide the fair value of the Group's investment properties portfolio annually.

5. PROPERTY AND EQUIPMENT

	Land *AED'000*	*Building* *AED'000*	*Furniture and fixtures* *AED'000*	*Computer* *AED'000*	*Vehicles* *AED'000*	*Capital work in progress* *AED'000*	*Total* *AED'000*
Cost or valuation							
At 1 January 2021	9,160	25,117	14,265	8,263	2,063	335	59,203
Additions during the year			550	716	207	251	1,724
Foreign exchange translation	(451)	(1,448)	(263)	(135)	(61)	-	(2,358)
Disposals	-	-	-	-	(45)	-	(45)
At 31 December 2021	8,709	23,669	14,552	8,844	2,164	586	58,524
Additions during the year	-	-	417	762	45	784	2,008
Foreign exchange translation	72	(451)	(1,455)	(1,150)	(119)	-	(3,103)
Disposals	-	-	(21)	-	-	-	(21)
At 31 December 2022	**8,781**	**23,218**	**13,493**	**8,456**	**2,090**	**1,370**	**57,408**

5. PROPERTY AND EQUIPMENT (continued)

	Land AED'000	*Building AED'000*	*Furniture and fixtures AED'000*	*Computer AED'000*	*Vehicles AED'000*	*Capital work in progress AED'000*	*Total AED'000*
Accumulated depreciation							
At 1 January 2021	-	-	10,823	7,039	1,793	-	19,655
Charge for the year	-	1,411	783	576	167	-	2,937
Disposals	-	-	-	-	(45)	-	(45)
Foreign exchange translation	-	(40)	(273)	(135)	(55)	-	(503)
At 31 December 2021	-	1,371	11,333	7,480	1,860	-	22,044
Charge for the year	-	1,328	855	933	130	-	3,246
Disposals	-	-	-	-	-	-	-
Foreign exchange translation	-	44	(1,111)	(1,198)	(84)	-	(2,349)
At 31 December 2022	**-**	**2,743**	**11,077**	**7,215**	**1,906**	**-**	**22,941**
Carrying amount							
At 31 December 2022	**8,781**	**20,475**	**2,416**	**1,241**	**184**	**1,370**	**34,467**
At 31 December 2021	8,709	22,298	3,219	1,364	304	586	36,480

Revaluation of the Group's land and building

The Group's land and building are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Group's land and buildings were last revalued by an independent valuer not related to the Group as at 31 December 2020. The valuer has appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations. The valuation conforms to International Valuation Standards.

The fair value of land and building was determined based depreciated replacement cost method of valuation for the existing structures and the comparable method of valuation for the underlying land. The revalued land and buildings are classified under Level 3 of fair value hierarchy as the valuation technique include significant unobservable inputs used in the fair value estimation.

6. GOODWILL AND INTANGIBLES

	Goodwill AED'000	*Computer software AED'000*	*Total AED'000*
Cost			
At 1 January 2021	114,640	9,737	124,377
Additions	-	3,392	3,392
Disposals	-	(496)	(496)
Effect of movements in exchange rates	-	(167)	(167)
At 31 December 2021	114,640	12,466	127,106
At 1 January 2022	114,640	12,466	127,106
Additions	-	1,955	1,955
Disposals	-	(326)	(326)
Effect of movements in exchange rates	-	(94)	(94)
At 31 December 2022	**114,640**	**14,001**	**128,641**
Accumulated amortization and impairment losses			
At 1 January 2021	-	9,140	9,140
Charge for the year	-	852	852
Disposals		(164)	(164)
Effect of movements in exchange rates	-	(494)	(494)
At 31 December 2021	-	9,334	9,334
At 1 January 2022	-	9,334	9,334
Charge for the year	-	1,530	1,530
Disposals		(146)	(146)
Effect of movements in exchange rates	-	104	104
At 31 December 2022	-	**10,822**	**10,822**
Net book value			
At 31 December 2022	**114,640**	**3,179**	**117,819**
At 31 December 2021	114,640	3,132	117,772

Computer software licences acquired by the Group are capitalised on the basis of the costs incurred to acquire and bring into their internal use.

The group has performed the annual impairment test on Goodwill in December 2022 and 2021. For impairment testing goodwill acquired through business combinations are allocated to the following subsidiaries which are considered as CGUs;

	Egyptian Saudi Insurance House		***Salama Assurances Algeria***		***Total***	
	2022 AED'000	*2021 AED'000*	***2022 AED'000***	*2021 AED'000*	***2022 AED'000***	***2021*** *AED'000*
Goodwill	**42,196**	42,196	**72,444**	72,444	**114,640**	114,640

For impairment testing, recoverable amount was based on fair value less cost of disposal using estimated discounted cash flows. The cash flow projections included specific estimates for five years terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term compound annual growth, consistent with the assumption that a market participant would note. The key assumptions described above may change as the economic and market conditions change. Management estimates if key assumptions increase/decrease by 1%, the carrying amount of goodwill may (decrease)/increase by AED 7.49 million.

7. INVESTMENT PROPERTIES

Investment property portfolio of the Group represents land and building acquired by the Group directly and through its controlled subsidiaries.

Geographical representation of investment properties are as follows:

	2022 ***AED'000***	*2021* *AED'000*
Within U.A.E.	**10,500**	9,000
Outside U.A.E.	**133,276**	133,055
At 31 December	**143,776**	142,055

Other than the investment property in the Kingdom of Saudi Arabia amounting to AED 85 million which is subject to ongoing legal case disclosed in note 33.

The fair value of the Group's investments properties as at 31 December 2022 has been arrived at on the basis of valuations carried on the respective dates by independent valuers who are not related to the Group and have appropriate qualifications and recent market experience in the valuation of properties.

The fair value of plots of land was determined based on the acceptable approach that reflects recent transaction prices for similar properties. The fair value of buildings was determined using investment method. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The Group's investment properties are classified as Level 3 in the fair value hierarchy as at 31 December 2022 (2021: Level 3). The rental income of properties amounts to AED 0.65 million in 2022 (2021: AED 0.64 million), there is no direct related expenses in respect of investment property. The Group investment property portfolio is being managed and maintained by a third-party administrator, and the rental income received from these properties are being set off with the administrative fees.

Movement in investment properties	***2022*** ***AED'000***	*2021* *AED'000*
Balance at 1 January	**142,055**	139,534
Addition	**233**	-
Unrealized gain on investment properties (note 29)	**9,171**	4,220
Currency translation differences	**(7,683)**	(1,699)
	143,776	142,055

8. LEASES

8.1 Right-of-use assets

	2022 AED'000	*2021 AED'000*
Balance as at 1st January	**4,426**	8,034
Additions	**8,149**	-
Depreciation charge for the year	**(2,564)**	(3,591)
Foreign exchange differences	**(1,277)**	(17)
Balance as at 31st December	**8,734**	4,426

The average term of Group lease is ranging from 3 to 5 years.

8.2 Lease liabilities

The maturity analysis of lease liabilities are as follows:

	2022 AED'000	*2021 AED'000*
Less than one year	**2,755**	2,420
Between one and five years	**6,066**	2,219
	8,821	4,639

The Group have taken 4.5% (2021: 4.5%) as incremental borrowing rate.

	2022 AED'000	*2021 AED'000*
Amount recognised in consolidated statement of profit or loss		
Depreciation	**2,564**	3,591
Finance cost on lease liabilities	**234**	298
Amount recognised in consolidated statement of cashflows		
Payment of lease liabilities	**2,715**	3,625

9. INVESTMENT IN ASSOCIATE

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

Associates	***Ownership 2022***	*Ownership 2021*	***Country of incorporation***	***2022 AED'000***	*2021 AED'000*
The Islamic Insurance Co. Jordan	**20%**	20%	Jordan	**35,188**	34,447

9. INVESTMENT IN ASSOCIATE (continued)

	2022 AED'000	*2021 AED'000*
Movement during the year		
Balance at 1 January	**34,447**	32,932
Share of profit from associates (note 29)	**1,720**	1,960
Dividend received	**(1,231)**	(1,236)
Share of other comprehensive income	**252**	791
	35,188	34,447

Summarised financial information of the Group's Associate is set out below:

	2022 AED'000	*2021 AED'000*
Total assets	**234,622**	211,898
Total liabilities	**(113,667)**	(94,584)
Net assets	**120,955**	117,314
Revenue	**98,463**	88,135
Profit	**8,598**	9,801

10. STATUTORY DEPOSITS

	2022 AED'000	*2021 AED'000*
Islamic Arab Insurance Co. (Salama) PJSC		
- Bank deposit maintained in accordance with Article 42 of U.A.E. Federal Law No. 6 of 2007, as amended	**10,000**	10,000
- Margin deposit against a bank guarantee issued in favor of Central Bank of UAE*	**60,000**	-
Subsidiaries		
Egypt Saudi Insurance House	**65,118**	96,341
Salama Assurances Algeria	**103,933**	85,854
Misr Emirates Takaful Life Insurance Co.	**30,060**	47,454
	269,111	239,649

*During the year the Company's bank has issued a bank guarantee of AED 150,000 thousand in favor of Central Bank of UAE to improve the solvency position and AED 60,000 thousand was deposited as margin deposit against this guarantee. Subsidiaries holds the investments and deposits, which are depending on the nature of takaful activities of takaful companies.

These deposits cannot be withdrawn except with the prior approval of the regulatory authorities.

11. INVESTMENTS

	31 December 2022			*31 December 2021*		
	Domestic investment AED'000	***International investment AED'000***	***Total AED'000***	*Domestic investment AED'000*	*International investment AED'000*	*Total AED'000*
(a) Financial assets at fair value through profit or loss						
Shares and securities	**7,063**	**7,795**	**14,858**	-	59,534	59,534
(b) Available-for-sale investments						
Mutual fund and externally managed portfolios	**-**	**63,077**	**63,077**	-	62,561	62,561
Shares and securities	**-**	**942**	**942**	-	934	934
	-	**64,019**	**64,019**	-	63,495	63,495
(c) Held to maturity						
Sukuk and Government bonds	**4,404**	**103,560**	**107,964**	4,404	114,486	118,890
Wakalah certificates	**54,094**	**-**	**54,094**	54,094	-	54,094
Other Mudariba investments	**-**	**87,267**	**87,267**	-	90,291	90,291
Islamic placements	**-**	**164,759**	**164,759**	-	172,762	172,762
	58,498	**355,586**	**414,084**	58,498	377,539	436,037
	65,561	**427,400**	**492,961**	58,498	500,568	559,066
Quoted	**7,063**	**8,190**	**15,253**	-	59,926	59,926
Unquoted	**58,498**	**419,210**	**477,708**	58,498	445,046	499,140
	65,561	**427,400**	**492,961**	58,498	500,568	559,066

11. INVESTMENTS (continued)

Islamic Placements represent Shari'ah compliant placements with different financial institutions having profit rates of 0.22% to 5.00% (2021: 0.22% to 5.00%) and maturing in more than three months from date of acquisition. During the year ended 31 December 2022, the Group purchased shares worth AED 2.9 million (2021: AED 19.4 million) which are classified as fair value through profit or loss and available-for-sale investments.

The following investments are subject to an ongoing legal case as described in note 33.
(b) Available-for-sale investments of AED 58,244 thousand (2021: AED 62,561 thousand); and
(c) Held to maturity investments includes Mudariba investments of AED 65,738 thousand (2021: AED 65,738 thousand) and Islamic placements of AED 45,889 thousand (2021: AED 47,142 thousand).

During the year, Group has recovered Islamic Placement of AED 1,253 thousand and received confirmation for AED 4,317 thousand, which were subject to qualification in prior periods.

11.1 Participants' investments in unit-linked contracts

	2022 AED'000	*2021 AED'000*
Financial asset at fair value	**1,948,146**	2,396,075

12. DEPOSITS WITH TAKAFUL AND RETAKAFUL COMPANIES

	2022 AED'000	*2021 AED'000*
Contributions deposits	**43**	174
Claim deposits	**1,304**	2,213
	1,347	2,387

As per the relevant local regulations, the ceding Group retains a portion of unearned contributions and outstanding claims after net payments to the insurer.

13. CONTRIBUTIONS AND TAKAFUL BALANCE RECEIVABLES

	2022 AED'000	*2021 AED'000*
Takaful contributions receivables	**254,357**	158,510
Due from takaful and retakaful companies	**88,661**	102,670
	343,018	261,180
Provision for impairment losses		
Takaful contributions receivables	**(19,369)**	(14,656)
Due from takaful and retakaful companies	**(32,363)**	(33,120)
	291,286	213,404

13. CONTRIBUTIONS AND TAKAFUL BALANCE RECEIVABLES (continued)

Aging of contributions and takaful balance receivables

	2022 Gross amount AED'000	***2022*** Impairment AED'000
Not yet due	**118,688**	(45)
Past due over 0 to 30 days	**25,746**	(161)
Past due over 31 to 90 days	**32,653**	(173)
Past due over 91 to 180 days	**6,992**	(39)
Past due over 181 to 270 days	**58,390**	(56)
Past due over 271 days to 360 days	**13,116**	(539)
Over 360 days	**87,433**	(50,719)
Total contributions and takaful balance receivables	**343,018**	(51,732)
Net contributions and takaful balance receivables	**291,286**	**-**

	2021 Gross amount AED'000	*2021* Impairment AED'000
Not yet due	52,607	(162)
Past due over 0 to 30 days	18,272	(62)
Past due over 31 to 90 days	42,267	(41)
Past due over 91 to 180 days	21,686	(347)
Past due over 181 to 270 days	13,612	(290)
Past due over 271 days to 360 days	22,682	(23)
Over 360 days	90,054	(46,851)
Total contributions and takaful balance receivables	261,180	(47,776)
Net contributions and takaful balance receivables	213,404	-

Movement of provision for impairment losses

	2022 ***AED'000***	*2021* *AED'000*
Balance at the beginning of the year	**47,776**	49,083
Change during the year	**3,956**	(1,307)
Balance at the end of the year	**51,732**	47,776

14. OUTSTANDING CLAIMS AND FAMILY TAKAFUL RESERVE

	2022 ***AED'000***	*2021* *AED'000*
Reserve for outstanding claims and family takaful reserve	**391,701**	478,067
Reserve for incurred but not reported claims	**81,750**	96,883
	473,451	574,950
Less: Retakafuls' share of outstanding claims	**(211,781)**	(262,350)
	261,670	312,600

The technical reserves have been certified by the Appointed Actuary of the Group according to the Financial Regulations issued by the Central Bank of UAE.

14. OUTSTANDING CLAIMS AND FAMILY TAKAFUL RESERVE (continued)

Movements in outstanding claims reserve and family takaful reserve

	2022			
	Gross AED'000	***Retakaful AED'000***	***Adjustment AED'000***	***Net AED'000***
Balance at 1 January	**574,950**	**(262,350)**	**-**	**312,600**
Currency translation differences	**-**	**-**	**(19,582)**	**(19,582)**
Net movement during the year	**(101,499)**	**50,569**	**19,582**	**(31,348)**
Balance at the end of the year	**473,451**	**(211,781)**	**-**	**261,670**

	2021			
	Gross AED'000	*Retakaful AED'000*	*Adjustment AED'000*	*Net AED'000*
Balance at 1 January	558,598	(214,940)	-	343,658
Currency translation differences	-	-	(3,456)	(3,456)
Net movement during the year	16,352	(47,410)	3,456	(27,602)
Balance at the end of the year	574,950	(262,350)	-	312,600

15. UNEARNED CONTRIBUTION RESERVE

Movements in unearned contributions reserve:

	2022			
	Gross AED'000	***Retakafuls' AED'000***	***Adjustment AED'000***	***Net AED'000***
Balance at 1 January	**327,756**	**(135,789)**	**-**	**191,967**
Currency translation differences	**-**	**-**	**(35,367)**	**(35,367)**
Provision made during the year	**378,828**	**(173,574)**	**35,367**	**240,621**
Provision released during the year	**(327,756)**	**135,789**	**-**	**(191,967)**
Balance at the end of the year	**378,828**	**(173,574)**	**-**	**205,254**

	2021			
	Gross AED'000	*Retakafuls' AED'000*	*Adjustment AED'000*	*Net AED'000*
Balance at 1 January	323,040	(172,006)	-	151,034
Currency translation differences	-	-	(765)	(765)
Provision made during the year	327,756	(135,789)	765	192,732
Provision released during the year	(323,040)	172,006	-	(151,034)
Balance at the end of the year	327,756	(135,789)	-	191,967

16. RELATED PARTY TRANSACTIONS

The Group, in the normal course of business, collects contributions, settles claims and enters into other transactions with other businesses that fall within the definition of related parties contained in the International Accounting Standard ISA 24. The management believes that the terms of such transactions are not significantly different from those that could have been obtained from third parties. The following are the details of significant transactions with related parties.

	2022 AED'000	*2021 AED'000*
Contribution	**2,570**	3,516
Claims paid	**47**	9,532
General and administrative expenses	**10**	115
Compensation of key management personnel		
Short term benefits	**4,980**	5,687
Employees end of service benefits	**176**	85
	5,156	5,772
Directors' remuneration	**4,800**	14,200

Balances with related parties

	2022 AED'000	*2021 AED'000*
Cash and bank balances	**-**	301
Investments held-to-maturity - wakalah certificates	**54,094**	54,094
Participants' investments in unit-linked contracts	**766,393**	369,494
Fixed Assets	**-**	262
Intangible Assets	**801**	500
Amount due to related party	**-**	405
Other assets and receivables	**43,282**	-

17. OTHER ASSETS AND RECEIVABLES

	2022 AED'000	*2021 AED'000*
Deferred commission	**125,683**	178,156
Prepaid commission	**777**	6,024
Profit receivable	**13,126**	7,826
Receivable against sales of Investments	**30,523**	-
Others*	**62,540**	64,348
	232,649	256,354

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

18. BANK BALANCES AND CASH

	2022 AED'000	*2021 AED'000*
Cash in hand	**25**	69
Cash at bank	**84,665**	346,886
Term deposits (Note 18.1)	**48,755**	20,835
	133,445	367,790
Less: Restricted bank balances*	**-**	(258,469)
Bank balances and Cash	**133,445**	109,321
Less: term deposits under lien	**(8,988)**	(4,881)
Cash and cash equivalent	**124,457**	104,440

***As a result of the Precautionary Attachment Order in connection with the ongoing litigations, the Group's bank accounts has been attached as at 31 Dec 2021 and the attachment was removed during the year as described in Note 33.

Cash and bank balances – by geographical distribution

	2022 AED'000	*2021 AED'000*
Domestic	**102,244**	334,001
International	**31,201**	33,789
	133,445	367,790

18.1 Term deposits carried profit ranging from 0.20% to 0.85% per annum *(*2021: 0.18% to 0.58% per annum).

19. PAYABLE TO PARTICIPANTS FOR UNIT-LINKED CONTRACTS

	2022 AED'000	*2021 AED'000*
Balance at 1 January	**2,394,963**	2,224,849
Amounts invested by Participants	**515,539**	641,131
Movement including redemption / surrenders	**(962,946)**	(471,017)
	1,947,556	2,394,963

20. SHORT-TERM BORROWINGS

	31 December 2022 AED'000	*31 December 2021 AED'000*
Short-term borrowings	**-**	25,000

In 2021, the Group obtained a short-term Mudaraba financing amounting to AED 75 million from a local Islamic bank payable in 12 equal monthly instalments of AED 6.25 million. This was fully repaid during the year.

21. TAKAFUL BALANCES PAYABLE

	2022 AED'000	*2021 AED'000*
Takaful companies	**8,592**	13,377
Retakaful companies	**207,952**	192,285
	216,544	205,662

22. OTHER PAYABLES AND ACCRUALS

	2022 AED'000	*2021 AED'000*
Payable to garages and brokers	**17,943**	18,632
Payable to suppliers	**59,237**	76,892
Bonus and Incentive Payable Family Takaful	**2,199**	1,559
Staff related accruals	**16,994**	25,630
Accrued expenses	**8,279**	4,087
Other provisions	**11,787**	11,404
Taxes payable	**19,184**	18,741
Surplus payable to policyholders	**2,730**	1,262
Funded commission payable	**32,986**	95,269
Surrender/Refund payable Family Takaful	**42,321**	107,580
Premium Deposit	**30,666**	19,948
Other payables	**15,119**	10,902
	259,445	391,906

23. POLICYHOLDERS' FUND

	2022 AED'000	*2021 AED'000*
Balance at 1 January	**-**	(688,010)
Net deficit attributable to policyholders for the year (note 35)	**(32,367)**	5,994
Write-off of Qard Hassan	**-**	682,016
	(32,367)	-
Financed by shareholders	**32,367**	-
Policyholders' fund	**-**	-

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

24. SHARE CAPITAL

	2022 AED'000	*2021 AED'000*
Authorised, issued and fully paid up capital 1,210,000,000 shares of AED 1 each (2021: 1,210,000,000 shares of AED 1)	**1,210,000**	1,210,000

25. TREASURY SHARES

In 2008, the Group 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 process for capital reduction has been initiated by the Company.

26. STATUTORY RESERVE

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

27. OTHER RESERVES

Other reserves include following:

	2022 ***AED'000***	*2021* *AED'000*
Revaluation reserve	**20,753**	20,753
Foreign exchange translation reserve	**(156,723)**	(130,718)
Investment fair value reserve	**(27,154)**	(27,922)
Regulatory reserve – UAE operations (Note 27.1)	**3,317**	1,756
	(159,807)	(136,131)

27.1 Regulatory reserve – UAE operations

In accordance with Article 34 of Insurance Authority's Board of Directors Decision No.(23) of 2021, the Company has allocated an amount equals to 0.5% of the total reinsurance premiums ceded in all classes to reinsurance reserve from the effective date of the said decision. This reserve shall be accumulated year after year and may not be disposed off without the written approval of the Director General of the Insurance Authority.

28. NON-CONTROLLING INTEREST

The following table summarises the information relating to the Group's subsidiaries that have material non-controlling interests (NCI) as at the reporting date, before any intra group eliminations:

Egypt Saudi Insurance House

	2022 ***AED'000***	*2021* *AED'000*
Non-controlling interest share	**48.85%**	48.85%
Current assets	**158,253**	212,519
Non-current assets	**81,356**	117,199
Current liabilities	**(150,117)**	(222,806)
Carrying amount of non-controlling interest (A)	**43,717**	52,226

28. NON-CONTROLLING INTEREST

	2022 **AED'000**	2021 AED'000
Underwriting income	**15,180**	25,801
Profit	**25,165**	14,732
Total comprehensive income	**(19,125)**	14,933
Profit allocated to non-controlling interest	**(9,343)**	7,295
Cash flows generated from operating activities	**(40,612)**	22,196
Cash flows used in investing activities	**33,724**	(18,763)
	(6,888)	3,433

Other subsidiaries

	2022 **AED'000**	2021 AED'000
Carrying amount of non-controlling interest (B)	**24,071**	23,287
Total Carrying amount of non-controlling interest (A+B)	**67,788**	75,681

29. INCOME FROM INVESTMENTS

	For the year ended 31 December 2022		
	Shareholders AED'000	***Policyholders AED'000***	***Total AED'000***
Income from investments in Mudaraba and fund	**7,126**	**-**	**7,126**
Realised loss on sale of investments	**(10,778)**	**-**	**(10,778)**
Unrealised loss on investments	**6,795**	**-**	**6,795**
Unrealised gain on investments properties (note 7)	**9,171**	**-**	**9,171**
Loss on sukuk and other held to maturity investments	**(8)**	**-**	**(8)**
Income from bank deposits and loans and receivables	**25,837**	**89**	**25,926**
Dividend income	**55**	**-**	**55**
Share of profit from associates (note 9)	**1,720**	**-**	**1,720**
Rental income (note 7)	**653**	**-**	**653**
	40,571	**89**	**40,660**

	For the year ended 31 December 2021		
	Shareholders AED'000	*Policyholders AED'000*	*Total AED'000*
Income from investments in Mudaraba and fund	9,359	-	9,359
Realised gain on sale of investments	6,279	-	6,279
Unrealised loss on investments	(36,634)	-	(36,634)
Unrealised gain on investments properties (note 7)	4,220	-	4,220
Loss on sukuk and other held to maturity investments	(6)	-	(6)
Income from bank deposits and loans and receivables	31,729	56	31,785
Dividend income	827	-	827
Share of profit from associates (note 9)	1,960	-	1,960
Rental income (note 7)	637	-	637
	18,371	56	18,427

30. GENERAL, ADMINISTRATIVE AND OTHER EXPENSES

	2022 AED'000	*2021 AED'000*
Staff cost	**81,662**	66,052
Rent, rates and service charges	**2,307**	1,885
Repair and maintenance	**5,019**	3,866
Travelling and conveyance	**386**	531
Printing and stationery	**1,386**	1,095
Licenses and other government expenses	**4,999**	1,164
Depreciation of property and equipment	**3,246**	2,937
Depreciation of right-of-use assets	**2,564**	3,591
Amortisation	**1,530**	852
Marketing and advertising	**2,500**	1,884
Legal and professional fees	**18,448**	13,789
Provision and impairment of receivables	**1,957**	50
Exchange losses	**65**	436
Board Remuneration*	**-**	14,200
IT expenses	**6,576**	3,212
Others	**15,464**	21,499
	148,109	137,043

*Board of directors' remuneration for the year ended 31 Dec 2021 amounting to AED 4,800 thousand has been charged to the equity. Management will obtain the shareholders' approval for this classification.

31. TAXATION – CURRENT

Taxation comprises of taxation of foreign operation, in view of the operations of the Group being subject to various tax jurisdictions and regulations, it is not practical to provide reconciliation between the accounting and taxable profits together with details with effective tax rates.

32. BASIC AND DILUTED EARNINGS PER SHARE

	2022	*2021*
Profit for the year attributable to shareholders (AED'000)	**28,148**	40,053
Number of shares (in thousands)	**1,188,330**	1,188,330
Basic and diluted earnings per share (AED)	**0.024**	0.034

Basic earnings per share are calculated by dividing the profit for the year 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.

33. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

	2022 ***AED'000***	*2021* *AED'000*
Letter of Guarantees in favor of CBUAE	**160,000**	10,000
Other letter of guarantees	**8,798**	5,038
	168,798	15,038

Statutory Deposits (note10) of AED 287,284 thousand (2021: AED 239,649) includes deposits amounting to AED 70,000 thousand (2021: AED 10,000 thousand) which are held as lien by the bank against the abovementioned letter of guarantee issued by bank in favor of the Central Bank of United Arab Emirates ("CBUAE"). During the year, the Group's bank has issued a guarantee of AED 150,000 thousand in favour of CBUAE to meet the solvency requirements.

Other letter of guarantee was issued during normal course of business against which term deposit of AED 8,798 thousand (note 18) which is held as lien by the bank.

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

Furthermore, a Precautionary Attachment Order has been issued by the 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 Bank filed an appeal at Dubai Court of Cassation against the release of the blocked funds, however the Court of Cassation rejected the appeal and closed the dispute in favor of the Group.

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

There are no significant capital commitments at 31 December 2022 (2021: nil).

34. OPERATING LEASE COMMITMENTS

Company as a lessee

The future minimum lease payments for contracts under non-cancellable operating lease are as follows:

	2022 ***AED'000***	*2021* *AED'000*
Future minimum lease payments:		
Due within one year	**2,755**	2,420

35. ALLOCATION BETWEEN PARTICIPANTS AND SHAREHOLDERS

Consolidated statement of profit or loss

	For the year ended 31 December 2022				*For the year ended 31 December 2021*			
	Shareholders AED'000	***Participants AED'000***	***Non-controlling interest AED'000***	***Total AED'000***	*Shareholders AED'000*	*Participants AED'000*	*Non-controlling interest AED'000*	*Total AED'000*
Net underwriting income	**-**	**146,573**	**-**	**146,573**	-	161,379	-	161,379
Income								
Wakalah share (note 36)	**150,883**	**(150,883)**	**-**	**-**	71,431	(71,431)	-	-
Mudarib share	**27**	**(27)**	**-**	**-**	19	(19)	-	-
Net technical charges from/to shareholders to policyholders	**57,332**	**(57,332)**	**-**	**-**	74,228	(74,228)	-	-
Net underwriting income from subsidiaries	**59,214**	**(59,214)**	**-**	**-**	57,927	(57,927)	-	-
Income from investments (note 29)	**40,584**	**76**	**-**	**40,660**	18,371	56	-	18,427
Other income	**16,296**	**417**	**-**	**16,713**	17,525	532	-	18,057
	324,336	**(120,390)**	**-**	**203,946**	239,501	(41,638)	-	197,863
Expenses								
General, administrative and other expenses	**(148,109)**	**-**	**-**	**(149,109)**	(137,043)	-	-	(137,043)
Finance expenses	**(3,406)**	**-**	**-**	**(3,406)**	(3,350)	-	-	(3,350)
Commission paid and other costs	**(88,023)**	**88,023**	**-**	**-**	(47,632)	47,632	-	-
Net profit/(loss) before tax	**84,798**	**(32,367)**	**-**	**52,431**	51,476	5,994	-	57,470
Tax – current	**(9,969)**	**-**	**-**	**(9,969)**	(9,297)	-	-	(9,297)
Net profit/(loss) after tax	**74,829**	**(32,367)**	**-**	**42,462**	42,179	5,994	-	48,173
Share of non-controlling interest	**(14,314)**	**-**	**14,314**	**-**	(8,120)	-	8,120	-
Distribution to policyholders of Group								
Policyholders' loss financed by shareholders/ recovery of loss from policyholders' funds	**(32,367)**	**32,367**	**-**	**-**	5,994	(5,994)	-	-
	28,148	**-**	**14,314**	**42,462**	40,053	-	8,120	48,173

35. ALLOCATION BETWEEN PARTICIPANTS AND SHAREHOLDERS (continued)

	2022 AED'000	*2021 AED'000*
Assets		
Participants' assets		
Investment properties	**84,957**	-
Participants' investments in unit-linked contracts	**1,948,146**	2,396,075
Contributions and takaful balance receivables	**226,762**	128,449
Retakafuls' share of outstanding claims	**181,303**	197,402
Retakafuls' share of unearned contributions	**113,489**	82,889
Investments	**116,857**	16,668
Other assets and receivables	**146**	9
Restricted bank balances	**-**	258,469
Cash and bank balances	**67,544**	74,710
Total participants' assets	**2,739,204**	3,154,671
Total shareholders' assets*	**1,355,080**	1,613,373
Total assets	**4,094,284**	4,768,044
Liabilities		
Participants' liabilities		
Outstanding claims and family takaful reserve	**296,513**	315,543
Payable to Participants for unit-linked contracts	**1,947,556**	2,394,963
Unearned contributions reserve	**245,578**	161,482
Takaful balances payable	**161,075**	129,611
Other payables and accruals	**88,482**	153,072
Total participants' liabilities	**2,739,204**	3,154,671
Total shareholders' liabilities*	**545,441**	770,205
Total liabilities	**3,284,645**	3,924,876
Net assets employed	**809,639**	843,168
Financed by:		
Shareholders' equity	**741,851**	767,487
Non-controlling interest	**67,788**	75,681
	809,639	843,168

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

36. WAKALAH SHARE

The shareholders manage the takaful operations of the Group for the policyholders and charge 23.93%(2021: 35%) 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.

37. OPERATING SEGMENT

By business

(for the year ended 31 December 2022)

	General takaful AED'000	***Family takaful AED'000***	***Total AED'000***
Gross written contributions	**807,822**	**310,500**	**1,118,322**
Net contributions earned	**491,735**	**209,952**	**701,687**
Commissions received on ceded reinsurance and retakaful	**35,494**	**-**	**35,494**
	527,229	**209,952**	**737,181**
Claims incurred	**(314,189)**	**13,661**	**(300,528)**
Commissions paid and other costs	**(139,904)**	**(150,176)**	**(290,080)**
Net underwriting income	**73,136**	**73,437**	**146,573**
Investment and other income			**57,373**
Unallocated expenses and tax			**(161,484)**
Distribution to policyholders of the Group			**-**
Profit from discontinued operations			**-**
Net profit after tax			**42,462**

By business

(for the year ended 31 December 2021)

	General takaful AED'000	*Family takaful AED'000*	*Total AED'000*
Gross written contributions	687,750	400,327	1,088,077
Net contributions earned	363,588	288,378	651,966
Commissions received on ceded reinsurance and retakaful	37,446	1,008	38,454
	401,034	289,386	690,420
Net claims incurred	(226,651)	2,921	(223,730)
Commissions paid and other costs	(104,167)	(201,144)	(305,311)
Net underwriting income	70,216	91,163	161,379
Investment and other income			36,484
Unallocated expenses and tax			(149,690)
Distribution to policyholders of the Group			-
Profit from discontinued operations			-
Net profit after tax			48,173

37. OPERATING SEGMENT (continued)

By geography

(for the year ended 31 December 2022)

	Africa AED'000	***Asia AED'000***	***Total AED'000***
Gross written contributions	**251,250**	**867,072**	**1,118,322**
Net contributions earned	**188,700**	**512,987**	**701,687**
Commissions received on ceded reinsurance and retakaful	**12,267**	**23,227**	**35,494**
	200,967	**536,214**	**737,181**
Net claims incurred	**(90,256)**	**(210,272)**	**(300,528)**
Commissions paid and other costs	**(51,499)**	**(238,581)**	**(290,080)**
Net underwriting income	**59,212**	**87,361**	**146,573**
Investment and other income			**57,373**
Unallocated expenses and tax			**(161,484)**
Distribution to policyholders of the Group			**-**
Profit from discontinued operations			**-**
Net profit after tax			**42,462**

By geography

(for the year ended 31 December 2021)

	Africa AED'000	*Asia AED'000*	*Total AED'000*
Gross written contributions	293,045	795,032	1,088,077
Net contributions earned	196,742	455,224	651,966
Commissions received on ceded reinsurance and retakaful	13,938	24,516	38,454
	210,680	479,740	690,420
Net claims incurred	(85,992)	(137,738)	(223,730)
Commissions paid and other costs	(66,757)	(238,554)	(305,311)
Net underwriting income	57,931	103,448	161,379
Investment and other income			36,484
Unallocated expenses and tax			(149,690)
Distribution to policyholders of the Group			-
Profit from discontinued operations			-
Net profit after tax			48,173

37. OPERATING SEGMENT (continued)

By business

(for the year ended 31 December 2022)

	General takaful AED'000	*Family takaful AED'000*	*Total AED'000*
Assets			
Property and equipment	**32,325**	**2,142**	**34,467**
Goodwill and intangibles	**116,511**	**1,308**	**117,819**
Investment properties	**143,776**	**-**	**143,776**
Right of use assets	**7,669**	**1,065**	**8,734**
Investments in associate	**35,188**	**-**	**35,188**
Deposits	**175,051**	**94,060**	**269,111**
Investments	**393,589**	**99,372**	**492,961**
Participants' investments in unit-linked contracts	**-**	**1,948,146**	**1,948,146**
Deposits with takaful and retakaful companies	**1,347**	**-**	**1,347**
Contributions and takaful balance receivables	**267,440**	**23,846**	**291,286**
Retakafuls' share of outstanding claims	**155,462**	**56,319**	**211,781**
Retakafuls' share of unearned contributions	**164,721**	**8,853**	**173,574**
Other assets and receivables	**59,577**	**173,072**	**232,649**
Bank balances and cash	**58,013**	**75,432**	**133,445**
	1,610,669	**2,483,615**	**4,094,284**
Liabilities and policyholders' fund			
Outstanding claims and family takaful reserve	**271,223**	**202,228**	**473,451**
Payable to Participants for unit-linked contracts	**-**	**1,947,556**	**1,947,556**
Unearned contributions reserve	**328,913**	**49,915**	**378,828**
Takaful balances payable	**169,226**	**47,318**	**216,544**
Other payables and accruals	**122,694**	**136,751**	**259,445**
Lease liabilities	**7,707**	**1,114**	**8,821**
Total liabilities	**899,763**	**2,384,822**	**3,284,645**
Policyholders' fund (note 23)	**-**	**-**	**-**
Net assets employed	**710,906**	**98,733**	**809,639**
Financed by:			
Shareholders' equity			**741,851**
Non-controlling interest			**67,788**
			809,639

37. OPERATING SEGMENT (continued)

By business

(For the year ended 31 December 2021)

	General takaful AED'000	*Family takaful AED'000*	*Total AED'000*
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
	1,589,167	3,178,877	4,768,044
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
Total liabilities	896,381	3,028,495	3,924,876
Policyholders' fund (note 23)	-	-	-
Net assets employed	688,111	150,382	843,168
Financed by:			
Shareholders' equity			767,487
Non-controlling interest			75,681
			843,168

38. SUMMARY OF TECHNICAL PROVISIONS

	As at 31 December 2022		
	General takaful AED'000	***Family takaful AED'000***	***Total AED'000***
Gross reserves			
Reserve for outstanding claims (including IBNR)	**271,223**	**67,223**	**338,446**
Family takaful reserves	**-**	**135,005**	**135,005**
Unearned contribution	**328,913**	**49,915**	**378,828**
	600,136	**252,143**	**852,279**

	As at 31 December 2022		
	General takaful AED'000	***Family takaful AED'000***	***Total AED'000***
Net reserves			
Reserve for outstanding claims (including IBNR)	**115,761**	**10,904**	**126,665**
Family takaful reserves	**-**	**135,005**	**135,005**
Unearned contribution	**164,192**	**41,062**	**205,254**
	279,953	**186,971**	**466,924**

	As at 31 December 2021		
	General takaful AED'000	*Family takaful AED'000*	*Total AED'000*
Gross reserves			
Reserve for outstanding claims (including IBNR)	324,096	98,703	422,799
Family takaful reserves	-	152,151	152,151
Unearned contribution	266,124	61,632	327,756
	590,220	312,486	902,706

	As at 31 December 2021		
	General takaful AED'000	*Family takaful AED'000*	*Total AED'000*
Net reserves			
Reserve for outstanding claims (including IBNR)	144,803	15,646	160,449
Family takaful reserves	-	152,151	152,151
Unearned contribution	135,447	56,520	191,967
	280,250	224,317	504,567

The technical reserves above include reserves of Company and its subsidiaries. Reserves have been computed by a qualified independent actuary appointed by the Group, except for unearned contribution that relates to General Takaful, which has been computed using an internal model.

39. CLAIMS DEVELOPMENT

The Group maintains adequate reserves in respect of its takaful business in order to protect against adverse future claims experience and developments. The uncertainties about the amount and timing of claim payments are normally resolved within one year.

Takaful claims-gross Underwriting year (cumulative amounts)	*2018 AED'000*	*2019 AED'000*	*2020 AED'000*	*2021 AED'000*	*2022 AED'000*	*Total AED'000*
Development year 1	143,770	157,939	252,802	286,180	347,063	1,187,754
Development year 2	282,846	279,131	455,325	513,652	-	1,530,954
Development year 3	303,946	324,032	770,635	-	-	1,398,613
Development year 4	308,086	366,117	-	-	-	674,203
Development year 5	314,515	-	-	-	-	314,515
Current estimate of cumulative claims (A)	314,515	366,117	770,635	513,652	347,063	2,311,982
Cumulative payments to date (B)	(303,259)	(323,116)	(732,433)	(423,908)	(237,527)	(2,020,242)
	11,256	43,001	38,202	89,744	109,536	291,739

Liability recognised in the consolidated statement of financial position as part of gross claim Reserve in respect of years prior to 2018 part of the gross claim	46,707
Total reserve included in the consolidated statement of financial position as part of the gross claim (excluding family takaful reserve) (note 38)	338,446

Takaful claims-net Underwriting year (cumulative amounts)	*2018 AED'000*	*2019 AED'000*	*2020 AED'000*	*2021 AED'000*	*2022 AED'000*	*Total AED'000*
Development year 1	60,430	67,125	99,483	110,838	156,108	493,984
Development year 2	124,065	110,947	186,134	199,350	-	620,496
Development year 3	126,878	121,011	310,146	-	-	558,035
Development year 4	127,921	129,859	-	-	-	257,780
Development year 5	129,145	-	-	-	-	129,145
Current estimate of cumulative claims **(A)**	129,145	129,859	310,146	199,350	156,108	924,608
Cumulative payments to date **(B)**	(124,037)	(121,995)	(298,875)	(178,787)	(109,533)	(833,227)
	5,108	7,864	11,271	20,563	46,575	91,381

Liability recognised in the consolidated statement of financial position as part of net claim Reserve in respect of years prior to 2018 part of the net claim	35,284
Total reserve included in the consolidated statement of financial position as part of the net claim (excluding family takaful reserve) (note 38)	126,665

39. CLAIMS DEVELOPMENT (continued)

Sensitivities

The general takaful claims provision is sensitive to the key assumptions. The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant showing the impact on liabilities and net income.

31 December 2022

		Impact on gross liabilities* AED'000	***Impact on net profit AED'000***
Current claims	**+10%**	**+47,345**	**+26,167**
	-10%	**-47,345**	**-26,167**

31 December 2021

		Impact on gross liabilities AED'000*	*Impact on net profit AED'000*
Current claims	+10%	+57,495	+31,260
	-10%	-57,495	-31,260

40. CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The table below shows a reconciliation between line items in the consolidated statement of financial position and categories of financial instruments.

31 December 2022	***FVTPL AED'000***	***Available for-sale investments AED'000***	***Amortised cost AED'000***	***Total carrying amount AED'000***
Financial assets				
Investments	**14,858**	**64,019**	**414,084**	**492,961**
Deposits	**-**	**-**	**269,111**	**269,111**
Participants' investments in unit-linked contracts	**1,948,146**	**-**	**-**	**1,948,146**
Deposits with takaful and retakaful companies	**-**	**-**	**1,347**	**1,347**
Contributions and takaful balance receivables	**-**	**-**	**291,286**	**291,286**
Other assets and receivables	**-**	**-**	**62,966**	**62,966**
Bank balances and cash	**-**	**-**	**133,445**	**133,445**
	1,963,004	**64,019**	**1,172,239**	**3,199,262**
Financial liabilities				
Payable to participants for unit-linked contracts	**1,947,556**	**-**	**-**	**1,947,556**
Takaful balances payable	**-**	**-**	**216,544**	**216,544**
Other payables	**-**	**-**	**222,386**	**222,386**
Lease liabilities	**-**	**-**	**8,821**	**8,821**
	1,947,556	**-**	**447,751**	**2,395,307**

40. CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

31 December 2021	*FVTPL AED'000*	*Available for-sale investments AED'000*	*Amortised cost AED'000*	*Total carrying amount AED'000*
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
	2,455,609	63,495	1,055,777	3,574,881
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
	2,394,963	-	561,080	2,956,043

41. FAIR VALUE OF FINANCIAL INSTRUMENT

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premium used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

41. FAIR VALUE OF FINANCIAL INSTRUMENT (continued)

Fair value hierarchy of assets and liabilities measured at fair value
The following table analyses assets and liabilities measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the consolidated statement of financial position.

As at 31 December 2022

	Level 1 AED'000	*Level 2 AED'000*	*Level 3 AED'000*	*Total AED'000*
Financial assets				
Financial asset at fair value through profit or loss				
Shares and securities	**14,858**	**-**	**-**	**14,858**
Unit Linked investments	**-**	**1,948,146**	**-**	**1,948,146**
	14,858	**1,948,146**	**-**	**1,963,004**
Available for sale				
Mutual fund	**-**	**63,077**	**-**	**63,077**
Shares and securities	**396**	**546**	**-**	**942**
	396	**63,623**	**-**	**64,019**
Non-financial assets				
Investment properties	**-**	**-**	**143,776**	**143,776**
Financial liabilities				
Payable to Participants for unit-linked contracts	**-**	**1,947,556**	**-**	**1,947,556**

As at 31 December 2021

	Level 1 AED'000	*Level 2 AED'000*	*Level 3 AED'000*	*Total AED'000*
Financial assets				
Financial asset at fair value through profit or loss				
Shares and securities	59,534	-	-	59,534
Unit Linked investments	-	2,396,075	-	2,396,075
	59,534	2,396,075	-	2,455,609
Available for sale				
Mutual fund	-	62,561	-	62,561
Shares and securities	392	542	-	934
	392	63,103	-	63,495
Non-financial assets				
Investment properties	-	-	142,055	142,055
Financial liabilities				
Payable to Participants for unit-linked contracts	-	2,394,963	-	2,394,963

41. FAIR VALUE OF FINANCIAL INSTRUMENT (continued)

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurement in Level 3 of the fair value hierarchy:

	2022 ***AED'000***	*2021* *AED'000*
Balance at 1 January	**142,055**	139,534
Purchases	**233**	-
Currency translation differences	**(7,683)**	(1,699)
Fair value movement	**9,171**	4,220
Balance at 31 December	**143,776**	142,055

42. RISK MANAGEMENT

The Group issues contracts that transfer either insurance risk or both takaful and financial risks. The Group does not issue contracts that transfer only financial risk. This section summarises these risks and the way the Group manages them.

a) Introduction and overview

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 the set financial performance objectives. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Group is in the phase of establishing a risk management function with clear terms of reference from the Board of Directors, its committees and the associated executive management committees.

Capital management framework
The Group has an internal risk management framework for identifying risks to which each of its business units and the Group as a whole are exposed, quantifying their impact on economic capital. The internal framework estimates indicate how much capital is needed to mitigate the risk of insolvency to a selected remote level of risk applied to a number of tests (both financial and non-financial) on the capital position of the business.

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 UAE. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions to minimise the risk of default and insolvency on the part of the takaful companies to meet unforeseen liabilities as these arise.

Asset liability management (ALM) framework
Financial risks arise from open positions in profit rate, currency and equity products, all of which are exposed to general and specific market movements. The main risk that the Group faces due to the nature of its investments and liabilities is the equity price risk. The Group manages these positions within an ALM framework that has been developed to achieve long-term investment returns in excess of its obligations under takaful and investment contracts.

The Group's ALM framework is also integrated with the management of the financial risks associated with the Group's other financial assets and liabilities not directly associated with takaful and investment liabilities.

The Group's ALM framework also forms an integral part of the takaful risk management policy, to ensure in each period sufficient cash flow is available to meet liabilities arising from takaful and investment contracts.

The Group is exposed to a range of financial risks through its financial assets, financial liabilities, retakaful assets and takaful liabilities. In particular, the key financial risk is that in the long-term its investment proceeds are not sufficient to fund the obligations arising from its insurance and investment contracts. The most important components of risk management includes takaful risk and financial risk

42. RISK MANAGEMENT (continued)

b) Takaful risk

Takaful risk is where the Group agrees to indemnify the insured parties against happening of unforeseen future insured events. The frequency and severity of claims are the main risk factors. As per the practices adopted by the Group, actual claim amounts can vary marginally compared to the outstanding claim reserves but are not expected to have a material impact.

Frequency and severity of claims
The frequency and severity of claims can be affected by several factors. The Group underwrites property, engineering, motor, miscellaneous accident, marines and personal accident classes. These classes of takaful are generally regarded as short-term takaful contracts where claims are normally intimated and settled within a short time span. This helps to mitigate takaful risk.

Property
For property takaful contracts, the main perils are fire damage and other allied perils and business interruption resulting there from.

These contracts are underwritten either on replacement value or indemnity basis with appropriate values for the interest insured. The cost of rebuilding or repairing the damaged properties, the time taken to reinstate the operations to its pre-loss position in the case of business interruption and the basis of takaful are the main factors that influence the level of claims.

Engineering
For engineering takaful contracts, the main elements of risks are loss or damage to insured project works and resultant third party liabilities, loss or damage to insured plants, machinery and equipment and resultant business interruption losses. The extent of the loss or damage is the main factor that influences the level of claims.

Motor
For motor takaful contracts, the main elements of risks are claims arising out of death and bodily injury and damage to third party properties as well as that of insured vehicles.

The potential court awards for death and bodily injury and the extent of damage to properties are the key factors that influence the level of claims.

Miscellaneous accident
For miscellaneous accident classes of takaful such as loss of money, infidelity of employees, personal accident, workmen's compensation, travel, general third party liability and professional indemnity are underwritten.

The extent of loss or damage and the potential court awards for liability classes are the main factors that influence the level of claims.

Marine
In marine takaful the main risk elements are loss or damage to insured cargo and hull due to various mishaps resulting in the total or partial loss claims. The extent of the loss or damage is the main factor that influences the level of claims.

Family takaful contracts
Underwriting is managed at each business unit through a dedicated underwriting department, with formal underwriting limits and appropriate training and development of underwriting staff. The underwriting policy is clearly documented, setting out risks which are unacceptable and the terms applicable for non-standard risks.

Health selection is part of the Group's underwriting procedures, whereby contributions are charged to reflect the health condition and family medical history of the applicants. Pricing is based on assumptions, such as mortality and persistency, which consider past experience and current trends. Contracts including specific risks and guarantees are tested for profitability according to predefined procedures before approval.

Products are reviewed by the business units on an annual basis to confirm, or otherwise, that pricing assumptions remain appropriate. Analysis is performed on earnings and liability movements to understand the source of any material variation in actual results from what was expected. This confirms the appropriateness of assumptions used in underwriting and pricing.

42. RISK MANAGEMENT (continued)

b) Takaful risk (continued)

Retakaful risk
In line with other takaful and retakaful companies, in order to minimise net loss exposure arising from large claims, the Group, in the normal course of business, enters into agreements with other parties for retakaful purposes. Such retakaful arrangement provides for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth.

To minimise its exposure to significant losses from reinsurers' insolvencies, the Group evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers.

Assets, liabilities, income and expense arising from ceded retakaful contracts are presented separately from assets, liabilities, income and expense from the related takaful contract because the retakaful ceded contracts do not relieve the Group from its obligations and as a result the Group remains liable for the portion of outstanding claims reinsured to the extent that the retakaful fails to meet the obligations under the retakaful agreements.

Concentration of takaful risk
The Group has certain single takaful contracts which it considers as risks of high severity but very low frequency. The Group cedes substantial part of these risks and its net retention on any one single event is limited to AED 1 million (2021: AED 1 million).

Terms and conditions of takaful contracts
Takaful is based on uncertainty of event. As such the terms and conditions of takaful contracts varies but are normally based on the international guidance and policy wordings as followed by all takaful companies in the market.

Normally a takaful contract contains the coverage of the subject of takaful, the exclusions and obligations of the insured and the insurers. Deviations are reported forthwith to the insurer by the insured and any accident event to be reported immediately. Long tail business is generally that where the time period to ultimately finalise and settle claims could take a number of years.

The Group's estimates for reported and unreported losses and establishing resulting provisions and related retakaful recoverables are continually reviewed and updated, and adjustments resulting from this review are reflected in the consolidated statement of profit or loss. The process relies upon the basic assumption that past experience, adjusted for the effect of current developments and likely trends, is an appropriate basis for predicting future claims.

Reserving risks are addressed by ensuring prudent and appropriate reserving for business written by the Group, thus ensuring that sufficient funds are available to cover future claims. Reserving practises for the General Takaful and Individual Family Takaful Portfolio involve the use of actuarial analysis from an independent actuary.

c) Financial risks

The Group has exposure to the following primary risks from its use of financial instruments:

- Credit risk,
- Liquidity risk,
- Market risk, and
- Operational risk.

i) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

A credit risk policy setting out the assessment and determination of what constitutes credit risk for the Group has been established and policies and procedures are in place to mitigate the Group's exposure to credit risk. Compliance with the policy is monitored and exposures and breaches are regularly reviewed for pertinence and for changes in the risk environment.

42. RISK MANAGEMENT (continued)

c) Financial risks (continued)

i) Credit risk (continued)

For all classes of financial assets held by the Group, other than those relating to retakaful contracts, the maximum credit risk exposure to the Group is the carrying value as disclosed in the consolidated financial statements at the consolidated financial position date.

Retakaful is placed with reinsures and retakaful companies approved by the management, which are generally international companies that are rated by international rating agencies or other GCC companies.

To minimise its exposure to significant losses from reinsurer and retakaful insolvencies, the Group evaluates the financial condition of its reinsures and retakaful companies and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsures and retakaful companies.

At each reporting date, management performs an assessment of creditworthiness of reinsures and retakaful companies updates the retakaful purchase strategy, ascertaining suitable allowance for impairment if required.

The Group monitors concentrations of credit risk by sector and by geographic location.

Credit risk is controlled through terms of trade for receipt of contributions. Most of the counterparties are takaful companies that are generally not rated. However, they are selected on their standing in the market, rating, relationship experience and length of association. All retakaful counterparties are rated.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the end of the reporting period was as disclosed in Note 39.

ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Liquidity requirements are monitored on a daily basis and management ensures that sufficient funds are available to meet any commitments as they arise.

Maturity profiles
The table below summarizes the maturity profile of the financial liabilities of the Group based on remaining undiscounted contractual obligations. Repayments which are subject to notice are treated as if notices were to be given immediately.

31 December 2022	*Less than 180 days AED'000*	*180 days to 1 year AED'000*	*1-5 year AED'000*	*Over 5 year AED'000*	*No stated maturity AED'000*	*Total AED'000*
Financial assets						
Investments	**190,831**	**24,190**	**269,525**	**8,415**	**-**	**492,961**
Deposits	**60,041**	**101,454**	**73,639**	**33,977**	**-**	**269,111**
Participants' investments in unit-linked contracts	**-**	**-**	**-**	**-**	**1,948,146**	**1,948,146**
Deposits with takaful and retakaful companies	**-**	**1,347**	**-**	**-**	**-**	**1,347**
Contributions and takaful balance receivables	**183,661**	**70,911**	**36,714**	**-**	**-**	**291,286**
Other assets and receivables	**29,288**	**33,678**	**-**	**-**	**-**	**62,966**
Bank balances and cash	**133,445**	**-**	**-**	**-**	**-**	**133,445**
	597,266	**231,580**	**379,878**	**42,392**	**1,948,146**	**3,199,262**

42. RISK MANAGEMENT (continued)

c) Financial risks (continued)

ii) Liquidity risk (continued)

31 December 2022	***Less than 180 days AED'000***	***180 days to 1 year AED'000***	***1-5 year AED'000***	***Over 5 year AED'000***	***No stated maturity AED'000***	***Total AED'000***
Financial liabilities						
Payable to participants for unit-linked contracts	-	-	-	-	**1,947,556**	**1,947,556**
Takaful balances payable	**95,738**	**40,269**	**80,537**	-	-	**216,544**
Other payables and Accruals	**82,161**	**92,641**	**47,584**	-	-	**222,386**
Lease liabilities	**2,755**		**6,066**	-	-	**8,821**
	180,654	**132,910**	**134,187**	-	**1,947,556**	**2,395,307**

The maturity profile of the financial assets and financial liabilities at the reporting date based on contractual repayment arrangements was as follows:

31 December 2022	*Less than 180 days AED'000*	*180 days to 1 year AED'000*	*1-5 year AED'000*	*Over 5 year AED'000*	*No stated maturity AED'000*	*Total AED'000*
Financial assets						
Investments	168,437	256,181	107,586	26,862	-	559,066
Deposits	77,027	49,737	102,885	10,000	-	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	134,220	35,981	43,203	-	-	213,404
Other assets and receivables	17,300	42,354	-	-	-	59,654
Bank balances and cash	109,321	-	-	-	-	109,321
	506,305	386,640	253,674	36,862	2,396,075	3,579,556
Financial liabilities						
Payable to participants for unit-linked contracts	-	-	-	-	2,394,963	2,394,963
Takaful balances payable	75,027	120,802	9,833	-	-	205,662
Other payables and accruals	107,008	168,032	75,739	-	-	350,779
Lease liabilities	2,420		2,219	-	-	4,639
	184,455	288,834	87,791	-	2,394,963	2,956,043

The Group's exposure to profit rate risk relates to its deposits. On 31 December 2022, deposits carried profit at the range of 0.20% to 0.85% per annum (2021: 0.18% to 0.58% per annum).

If profit rates had been 50 basis points higher/lower throughout the year and all other variables were held constant, the Group's profit for the year ended 31 December 2022 and equity as at 31 December 2022 would increase/decrease by approximately AED 3.42 million (2021: AED 3.38 million). The Group's sensitivity to profit rates has not changed significantly from the prior year.

42. RISK MANAGEMENT (continued)

c) Financial risks (continued)

iii) Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market. The Group limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in local equity and sukuk markets. In addition, the Group actively monitors the key factors that affect stock and sukuk market movements, including analysis of the operational and financial performance of investees.

a. Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in a foreign currency. The Group's functional currency is the UAE Dirham.

The significant financial assets and liabilities exposed to currency risk in equivalent thousand of Dirham are as under:

31 December 2022	***Financial assets AED'000***	***Financial liabilities AED'000***	***Net AED'000***
Currency			
USD	**506,760**	**(154,108)**	**352,652**
EGP	**264,080**	**(118,684)**	**145,396**
CFA	**72**	**(593)**	**(521)**
DZD	**276,967**	**(89,346)**	**187,621**
Others	**65,647**	**-**	**65,647**

31 December 2021	*Financial assets AED'000*	*Financial liabilities AED'000*	*Net AED'000*
Currency			
USD	502,355	(74,982)	427,373
EGP	378,438	(180,551)	197,887
CFA	122	(623)	(501)
DZD	263,551	(107,321)	156,230
Others	117,762	-	117,762

Sensitivities
The analysis below is performed for reasonably possible movements in foreign exchange rate with all other assumptions held constant showing the impact on net profit or equity. The sensitivities carried out for subsidiaries only as the impact of currency risk on the Group's own assets and liabilities is considered insignificant.

31 December 2022	***Change in exchange rates***	***Profit or loss AED'000***	***Other comprehensive income AED'000***
Financial assets	**+5%**	**-**	**+55,676**
	-5%	**-**	**-55,676**
Financial liabilities	**+5%**	**-**	**+18,137**
	-5%	**-**	**-18,137**

31 December 2021	*Change in exchange rates*	*Profit or loss AED'000*	*Other comprehensive income AED'000*
Financial assets	+5%	-	+63,112
	-5%	-	-63,112
Financial liabilities	+5%	-	+18,174
	-5%	-	-18,174

42. RISK MANAGEMENT (continued)

c) Financial risks (continued)

(b) Equity price risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each country, sector and market and careful and planned use of derivative financial instruments.

Sensitivities
The analysis below is performed for reasonably possible movements in equity prices with all other assumptions held constant showing the impact on net profit or equity.

31 December 2022	***Change in equity prices***	***Profit or loss AED'000***	***Other comprehensive income AED'000***
	+10%	**+1,486**	**+6,402**
	-10%	**-1,486**	**-6,402**

31 December 2021	*Change in equity prices*	*Profit or loss AED'000*	*Other comprehensive income AED'000*
	+10%	+5,953	+6,350
	-10%	-5,953	-6,350

Coronavirus (COVID-19) outbreak and its impact on the Group
With the rapid development of the coronavirus disease (COVID-19) outbreak, the world economy entered a period of unprecedented health care crisis that has already caused considerable global disruption in business activities and everyday life. Certain countries including the United Arab Emirates (UAE) have adopted extraordinary and economically costly containment measures and have required companies to limit or even suspend normal business operations.

Management has considered the unique circumstances and the risk exposures of the Group that could have a material impact on the business operations and has concluded that the main impacts on the Group's profitability/liquidity position may arise from:

- recoverability of contribution and takaful balances receivable,
- unavailability of personnel,
- reduction in gross contribution due to non-renewal of policies,
- provision for outstanding claims and claims incurred but not reported,
- fair value measurement of financial instruments and investment properties held by the Group.

Based on the above consideration, management has concluded that there is no significant impact on the Group's profitability position as at reporting date. The Group has implemented business continuity plan that includes all the procedures and protocols during these current situations. Remote working plans were initiated, and measures were taken to ensure uninterrupted business.

Further, the Group has performed stress testing as required by the Insurance Authority of UAE approved by the Board of Directors, who are satisfied that the Group will continue to operate as a going concern. Accordingly, these financial statements have been prepared on a going concern basis. Management will continue to monitor the situation and, will take necessary and appropriate actions on a timely basis to respond to this unprecedented situation.

43. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are:

- To comply with the capital requirements required by the UAE Federal Law No. (6) of 2007 regarding the Establishment of the Insurance Authority and Insurance Operations.
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing takaful contracts commensurately with the level of risk.

In UAE, the local takaful regulator specifies the minimum amount and type of capital that must be held by the Group in addition to its takaful liabilities. The minimum required capital (presented below) must be maintained at all times throughout the year. The Group is subject to local takaful solvency regulations with which it has complied during the year.

The below summaries the minimum regulatory capital of the Group and the total held.

	2022 AED'000	*2021 AED'000*
Minimum regulatory capital	**100,000**	100,000
Total shareholders' equity	**741,851**	767,487

The UAE Insurance Authority has issued a Resolution No. 42 for 2009 setting the minimum subscribed or paid up capital of AED 100 million for establishing takaful companies and AED 250 million for re-insurance companies. The resolution also stipulates that at least 75 percent of the capital of the takaful companies established in the UAE should be owned by UAE or GCC national individuals or corporate bodies. The Group is in compliance with these requirements.

44. FEES AND PENALTIES

During the year ended 31 December 2022, Group has paid fees and penalties amounting to AED nill (2021: AED 22,503).

45. DIVIDEND & BOD REMUNERATION

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 files per share AED 98.04 million for year ended 31 December 2020).

Shareholders have also approved the Directors Remuneration fee subject to the compliance with the rules & regulation. Subsequently, the Group has paid BOD remuneration of AED 4,800 thousand for the year ended 31 Dec 2021 (AED 14,200 thousand for 2020). Previously the BOD remuneration has been charged in profit & loss however for 2021 this was recorded under equity.

46. CAPITAL RISK MANAGEMENT

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

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

46. CAPITAL RISK MANAGEMENT (continued)

The table below summarises the consolidated Minimum Capital Requirement ("MCR"), Minimum Guarantee Fund and Solvency Capital Requirement of the Company and the total capital held at the Company level to meet the required Solvency Margins in line with the requirements of the UAE Insurance Authority. The Group has disclosed the preliminary solvency position as of 31 December 2022 as following;

	31 December 2022 AED'000	*31 December 2021 AED'000*
Minimum Capital Requirement (MCR)	**100,000**	100,000
Solvency Capital Requirement (SCR)	**238,159**	228,421
Minimum Guarantee Fund (MGF)	**148,427**	116,471
Basic Own Funds	**198,261**	(226,139)
MCR Solvency Margin (Surplus/deficit)	**98,261**	(326,139)
SCR Solvency Margin (Surplus/deficit)	**5,102**	(454,560)
MGF Solvency Margin (Surplus/deficit)	**94,834**	(342,610)

During the year, the Group's bank has issued a letter of guarantee for AED 150,000 thousand in favor of the Central Bank of UAE (formerly the "Insurance Authority") to meet the solvency requirements of the Group.

47. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors and authorized for issue on 20 March 2023.

48. ACQUISITION OF PORTFOLIO OF DUBAI ISLAMIC INSURANCE AND REINSURANCE COMPANY

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

49. SUBSEQUENT EVENTS

- *Statutory merger with Takaful Emarat Insurance*

On 14th October 2022, a merger was announced between Salama and Takaful Emarat (TE) in accordance with Article 47(1)(a) of the public M&A rules. TE will be merged into Salama, which will be the surviving entity Salama, and all of TE's assets and liabilities will be merged into Salama. This will be a cashless transaction, with existing TE shareholders receiving new shares in Salama as part of the statutory merger.

However, on 16th February 2022, Salama announced that it would not be pursuing the merger with TE as previously planned. Instead, discussions were initiated for an alternative arrangement that would involve only the acquisition of TE's takaful operation, and not the company's assets as a whole.

49. SUBSEQUENT EVENTS (continued)

- *Reduction Of Share Capital by AED 270m*

During a general assembly meeting held on 16 January 2023, the company's shareholders approved a capital reduction plan aimed at eliminating accumulated losses. The plan involves cancelling 270,411,002 company shares, each with a value of AED 1. The board of directors had previously decided on 5 August 2022 to initiate the capital reduction process, with the cancellation of shares scheduled to take place on 24 March 2023. This will reduce the company's capital from AED 1,210,000,000 to AED 939,588,998 and the total number of shares to 939,588,998 shares, each with a nominal value of one UAE dirham.

50. TAXATION OF CORPORATIONS AND BUSINESSES

On 9 December 2022, the UAE Ministry of Finance released the Federal Decree Law No. (47) of 2022 on the Taxation of Corporations and Businesses (the Law) to enact a Federal Corporate Tax (CT) regime in the UAE. The CT regime will become effective for accounting periods beginning on or after 1 June 2023.

A rate of 9% will apply to taxable income exceeding a particular threshold to be prescribed by way of a Cabinet Decision (expected to be AED 375,000 based on information released by the Ministry of Finance), a rate of 0% will apply to taxable income not exceeding this threshold. In addition, there are several other decisions that are yet to be finalised by way of a Cabinet Decision that are significant in order for entities to determine their tax status and taxable income. Therefore, pending such important decisions, the Group has considered that the Law, as it currently stands, is not substantively enacted as at 31 December 2022 from the perspective of IAS 12 – Income Taxes. The Group shall continue to monitor the timing of the issuance of these critical Cabinet Decisions to determine their tax status and the application of IAS 12 – Income Taxes.

The Group is currently in the process of assessing the possible impact on the consolidated financial statements, both from current and deferred tax perspective, once the Law becomes substantively enacted.

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CORPORATE GOVERNANCE REPORT 2022

Corporate Governance Report
SALAMA - Islamic Arab Insurance Company
For the fiscal year ended on 31/12/2022

1- Statement of procedures taken to complete the corporate governance system, during 2022, and method of implementing thereof.

The Board of Directors of Islamic Arab Insurance (P.S.C) – SALAMA believes that the proper application of Corporate Governance helps to achieve institutional discipline in the management of the Company in accordance with the international standards. It establishes the responsibilities and duties of the Board of Directors and the Executive Management of the Company, while protecting the rights of shareholders and other stakeholders, this contributes to achieve high and sustainable growth rates. The Board has the responsibility to implement the Corporate Governance framework on the organization level. These principles include the provision of an effective control environment, development of an effective internal control system with active participation by the Non-Executive Members, formation of an Audit Committee, granting the Internal Control Department full necessary independence and powers, abstention from transactions which are flawed by conflict of interest, and introduction of the code of professional conduct.

The Board endeavors to ensure regulatory compliance with the instructions and regulations issued by the various regulatory authorities, ensuring the adequacy and effectiveness of the Internal Audit & Corporate Governance compliance program, approve the investments, business plan budgets, and financial statements of the company, ensuring adequacy of the human resources required to implement the Company's strategies, ensure that the shareholders receive accurate and proper information at the right time, and ensuring adherence to the standards of disclosure and transparency. SALAMA is fully committed to have a corporate governance framework that is compliant with all corporate governance requirements that are applicable to public joint stock companies in the UAE and consistent with securities and commodities authority's Board of Directors' Decision no. (3/Chairman) of 2020 concerning approval of Joint Stock Companies Governance Guide, other relevant resolutions issued from time to time by the competent authorities and the international best practices

2- **Statement of ownership and transactions of Board of Directors (Board) members and their spouses, their children in the company securities during 2021, according to the following schedule:**

S. No.	Name	Position / Kinship	Owned shares as on 31/12/2021	Total sale	Total purchase
1.	**Mr. Jassim Mohamedrafi Alseddiqi Alansaari**	**Chairman** Election Date: 10/06/2019	No shares registered under his name, or the name of his wife or children	7,190,000	7,190,000
2.	**Mr. Saeed Mubarak Rashed Saeed Al-hajeri**	**Vice Chairman** Election Date: 10/06/2019	No shares registered under his name, or the name of his wife or children	Not Applicable	Not Applicable
3.	**Mr. Ajit Vijay Joshi**	**Member** from: 12/08/2022	No shares registered under his name, or the name of his wife or children	Not Applicable	Not Applicable
4.	**Mr. Fraih Saeed Al Qubaisi**	**Member** Election Date: 23/12/2018	No shares registered under his name, or the name of his wife or children	Not Applicable	Not Applicable
5.	**Mr. Saeed Bin Mohammad alqassimi**	**Member** Election Date: 02/09/2019	7,346,335	Not Applicable	Not Applicable
6.	**Mr. Ahmad Mohammad al Sadah**	**Member** Election Date: 02/09/2019	No shares registered under his name, or the name of his wife or children	Not Applicable	Not Applicable
7.	**Mr. Mohamad Ahmad Mohamad Bin Abdulaziz Al Shehhi**	**Member** Election Date: 21/03/2021	No shares registered under his name, or the name of his wife or children	Not Applicable	Not Applicable

3- **Board Formation**:

A. Statement of the current Board formation (along with the names of both the resigned and appointed Board members) according to the following schedule:

S. No.	Name	Category (executive/ non-executive and independent)	Expertise	Qualifications	The period he spent as a Board member from the date of his first election	Their membership and positions at any other joint- stock companies	Their positions in any other important regulatory, government or commercial positions.
1.	**Mr. Jassim Mohamedrafi Alseddiqi Alansaari**	Non-executive Member and Non-independent	- Lecturer at Abu Dhabi-based Petroleum Institute, and Chief Executive Officer of Abu Dhabi Financial Group (ADFG), He has been at the helm of the company since its establishment in 2011, transforming it into one of the leading and fastest growing investment management companies in the MENA region. Mr. Alseddiqi is known for his dynamic and innovative approach, have pioneered	- BSc in Electrical Engineering from the University of Wisconsin-Madison - MSc in Electrical Engineering from Connell University, USA	3 year and 7 Months: since 10/06/2019	- Chairman of Eshraq Investments PJSC. - Board Member & MD of Shuaa Capital PJSC. - Board Member at Dana Gas PJSC (UAE)	Not Applicable

			investment strategies in the region.			- Chairman of The Entertainer	
2.	**Mr. Saeed Mubarak Rashed Saeed Alhajeri**	Non-executive Member and independent	- International finance - He was elected by The World Economic Forum in 2007 as one of the top 250 global leaders for its contribution to the public and financial sectors in the United States and the United Arab Emirates	- Bachelor of Business Administration from Lewis & Clark College, USA - Certified Financial Analyst (CFA). - Attended the Executive Education Program at Harvard Business college -	3 year and 7 Months: since 10/06/2019	- Vice Chairman of The Abu Dhabi National Energy Company. - Member of the Executive Advisory Board of the University Barra MSCI INSEAD Abu Dhabi	Executive Director Abu Dhabi Investment Authority (ADIA)
3.	**Mr. Mohamad Husain Mohamed Shareef Alkhoori**	Non-executive Member and independent	- Deputy Director of the Department of Transportation Security - Head of Strategic Planning - Director of the Administrative and Legal Affairs Branch, General Directorate of Police Operations - Director of the Branch of Fraud and Fraud Crimes	- Bachelor of Legal Science and Police College of the UAE Graduating Year 1999 - Master of Strategic Planning, University of Hartford shire, UK Graduation Year 2010	3 year and 3 months and 11 days: since 23/4/2019 to 12/08/2022	- Board member of Bani Yass Sports Club - Secretary-General of Al-Faraj Fund Management - Vice Chairman of the Board of Directors Friends of the Environment	- Deputy Director of the Metropolitan Police Directorate (May 2019 - Current)

			(Officer of investigation, follow-up, and Execution of the city's police center) - Directorate of The Capital Police - General Directorate of Police Operations - Chairman of the Sports Committee in the criminal security sector from 2009 to the present - Honorary member of Al Ain Sports Club - Member of the Sports Talent Support Fund of the General Sports Authority. - Member of the Local Organizing Committee for the Asian Cup 2019 - Chairman of the Care and Marketing Committee for the Activities of the General Headquarters of Abu Dhabi Police.				
4.	**Mr. Fraih Saeed Al Qubaisi**	Non-executive Member and independent	- Mr. Al Qubaisi has professional achievements which contributed to the	- BA in Police Sciences and Law from the	4 years: Since 23/12/2018	- Member of the Board of Directors of Eshraq	Not Applicable

			service of the nation throughout his career in the government sector for over 20 years. - Mr. Al Qubaisi has distinguished administrative expertise in the field of corporate management in several sectors, including the real estate development sector, the finance and business sector and the technological sector. Mr. Al Qubaisi assumed many positions and duties in the private business sector, on top of which: - Mr. Al Qubaisi is always eager to support the youth who desire and hope to realize their dreams to enter the field of trading and gathering expertise by adopting, training and qualifying many national figures in a	Police College in Abu Dhabi.		Investments PJSC (UAE) - Member of the Board of Gulf Finance Corporation PJSC. - Managing Director of City Engineering,	

			calculated manner so that they become one of the richest sources of economy for the country.				
5.	**Mr. Saeed Bin Mohammad Alqassimi**	Non-executive Member and independent	- Vice president, MBS investments - Chairman, GHAF investments. - Easy lease motorcycle rental co-founder - GHAF investments Chairman & CEO - Uplift delivery services co-founder - Society motors co-founder. - Board member, UAE Shooting Federation. - BLG Motors, partner - Public Motors, partner.	- Bachelor of Science and Administration with minor Philosophy, Suffolk University, Boston, Massachusetts, USA. - Master of Science Administrative Studies Multinational Commerce, Boston University, Boston, Massachusetts, USA	2 years and 4 months Since 02/09/2020	- Not Applicable	Not Applicable
6.	**Mr. Ahmad Mohammad al Sadah**	Non-executive Member and independent	- Managing Director Al Sadah Properties - Co-Founder and CEO: Easy Lease Motorcycle rental - Co-Founder and CEO: Uplift Delivery services	- Bachelor of Multimedia Studies & Diploma in Business from Central Queensland University	2 year 4 months Since 02/09/2020	Not Applicable	Not Applicable

			- Co-Founder: Society Motors - Co-Found-: Plug Motors - Co-Founder: Public Motors				
7.	**H.E. Mohammed Ahmad Mohammed Bin Abdulaziz Alshehhi.**	Non-executive Member and independent	- Member of board of directors – Al Masane Al Kobra Mining company (AMAK) Saudi Arabia - Chairman of the Board of directors – Arab Mining Company – Fujairah, UAE - Chairman of the Board of Directors- Arab Mining Company – Jordan - Member of the board of Directors – emirates petroleum corporation (EMARAT) - From 1990 to 2006 senior executive roles at emirates telecommunications corporation (Etisalat) - From November 2006 to December	- Executive Master's degree (EMBA) from the American university of Sharjah, UAE, in 2002 - Bachelor's degree in electrical engineering from the university of south Florida, Tampa, Florida, United states, in 1990.	1 year and 9 Months from 21/03/2021	Not Applicable	Not Applicable

			31, 2020 university of economic affairs, Ministry of economy, UAE				
8.	**Mr. Ajit Vijay Joshi**	Non-executive Member and independent	- He works as Managing Director- Head of Public and Private Markets at Shuaa Capital PJSC - He has more than 12 years of experience in technology consulting and investment management.	- Bachelor of Engineering in computer science, - Master Degree in Business Administration from the Indian Institute for Management Lucknow. He works as Managing Director- Head of Public and Private Markets at Shuaa Capital PJSC	5 months	-Board member of Eshraq Investment PJSC. -Board member of Dana Gas PJSC (UAE)	

B. Statement of the percentage of female representation in the Board for 2022:
No representation of women on the Board of Directors for 2022.

C. Statement of the reasons for the absence of any female candidate for the Board membership:
No women have applied for this position when the nomination for the Board of Directors was opened in 2020.

D. Statement of the following:

1. **The total remunerations paid to the Board members for 2021**:

In 2022, SALAMA's shareholders approved a total remuneration of AED: 4,800,000.

2. **The total remunerations of the Board members, which are proposed for 2022, and will be presented in the annual general assembly meeting for approval**:
Not yet defined and will be discussed at the next annual general assembly meeting.

3. **Details of the allowances for attending sessions of the committees emanating from the Board, which were received by the Board members for 2022 fiscal year:**
In 2022, no allowances were paid to the Board members, for attending sessions of the committees emanating from the Board.

4. **Details of the additional allowances, salaries or fees received by a Board member other than the allowances for attending the committees and their reasons:**

In 2022, no allowances, salaries or additional fees were paid to the Board members.

E. Number of the Board meetings held during 2022 fiscal year along with their convention dates, personal attendance times of all members, and members attending by proxy:

S. No.	Date of meeting	Number of attendees	Number of attendees by proxy	Names of absent members
1.	14/02/2022	7	None	**None**
2.	29/03/2022	6	None	**H.E. Mohammed AlShehhi**
3.	12/05/2022	7	None	None
4.	12/08/2022	6	None	Mr. Mohammed Khouri
5.	14/11/2022	7	None	None
6.	23/12/2022	6	None	Mr. Jassim Alseddiqi

F. Number of the Board resolutions held during the 2022 fiscal year, along with its indication of the dates of issuance:

S. No.	The number of board decisions issued by circulation	Date of the decision
1.	First decision	24/05/2022
2.	The second decision	05/08/2022
3.	The third decision	05/09/2022
4.	The Fourth decision	28/12/2022

G. Statement of Board duties and powers exercised by Board members or the executive management members during 2022 based on an authorization from the Board, specifying the duration and validity of the authorization according to the following schedule:

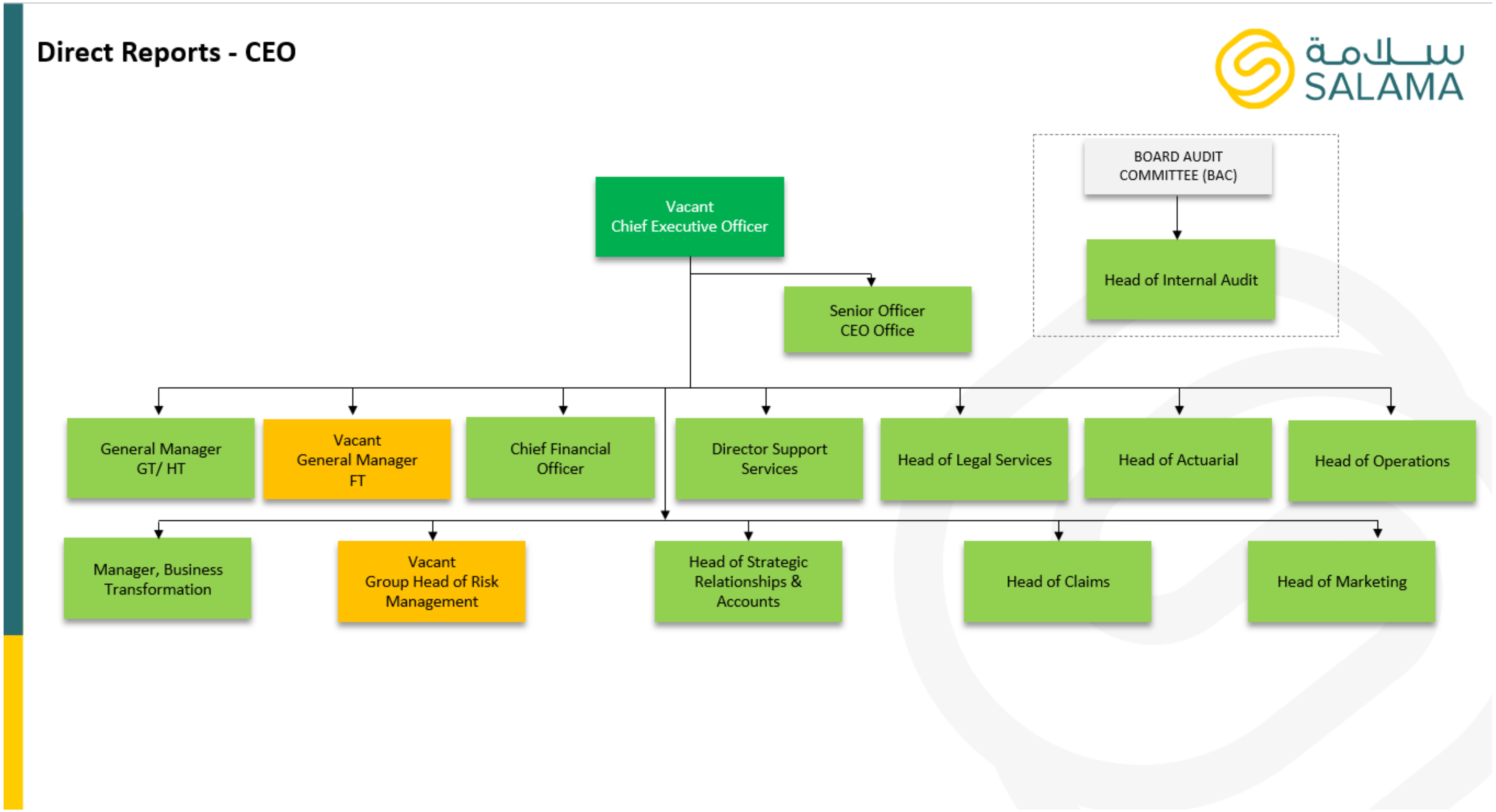
S. No	The name of the authorized person	Power of authorization	Duration of authorization
1.	**Mr. Fahim AlShehhi – CEO**	Power of Attorney by the Board, which enable him to sign documents relating to the businesses of the Company; to conclude contracts of all types; to take all legal actions on behalf of the Company, including litigation, filing reports and receipts; arbitration procedures and settlement, the authorization of legal experts, attorneys, and advisors; and the right to authorize others to practice some or all of the given powers	**3 Years**
2.	**Mr. Ajit Vijay Joshi**	Power of Attorney by the Board, which enable him to sign documents relating to the businesses of the Company; to conclude contracts of all types; to take all legal actions on behalf of the Company, including litigation, filing reports and receipts; arbitration procedures and settlement, the authorization of legal experts, attorneys, and advisors; and the right to authorize others to practice some or all of the given powers	**3 Years**

H. Statement of the details of transactions made with the related parties (Stakeholders) during 2022, provided that it shall include Statement of related parties, clarifying the nature of relationship, Type of transaction, Value of transaction the year for each of those parties:

Ser.	Statement of related parties	Clarifying the nature of relationship	Type of transaction	Value of transaction
1.	Alef Education Consultancy LLC	Common Directors	Claims Paid	15,797
2	Algorythma - Sole Proprietorship L.L.C	Common Directors	Claims Paid	14,869
3	Shuaa Capital PSC	Common Directors	Claims Paid	2,595
4	Abu Dhabi Financial Group L.L.C.	Common Directors	Claims Paid	6,631
5	Reem Finance PJSC	Common Directors	Claims Paid	1,588
6	Shuaa Securities L.L.C	Common Directors	Claims Paid	1,273
7	Gulf Finance Corporation	Common Directors	Claims Paid	839
8	Krypto Labs Limited	Common Directors	Claims Paid	1,344
9	A D F G Technologies - under ALGORYTHMA - SOLE PROPRIETORSHIP L.L.C	Common Directors	Claims Paid	576

10	ADCM Altus Investment Management Limited	Common Directors	Claims Paid	943
11	A D F G Technologies - under ABU DHABI FINANCIAL GROUP L.L.C	Common Directors	Claims Paid	137
12	Shuaa Capital PSC	Common Directors	GWC	2,242,485
13	Eshraq Investments P.J.S.C	Common Directors	GWC	328,234
14	Shuaa Capital PSC	Common Directors	Investments held-to-maturity Wakalah certificates	54,094,000
15	Shuaa Capital PSC	Common Directors	Participants' investments in unit-linked contracts	766,393,159
16	Shuaa Capital PSC	Common Directors	Amount due from related party	30,156,242
17	Mega Mall Branch Sharjah	Common Directors	Branch Rent	10,123
18	FRS SPV Limited	Common Directors	Software setup and support for motor	801,375

I. **The complete organizational structure of the company, which shall clarify managing director, the general manager and / or CEO, the deputy general manager and the managers working in the company such as the financial manager.**



J. **A detailed statement of the senior executives in the first and second grade according to the company organizational structure (according to 3-I), their jobs and dates of their appointment, along with a statement of the total salaries and bonuses paid to them, according to the following schedule**

S. No.	Position	Date of Appointment	Total of the Salaries and Allowances paid for 2022 (in AED)	Total of Bonuses paid for 2022 (in AED)	Any other bonuses in cash/in-kind for 2022 or due in the future	Remarks
1	Chief Executive Officer	13/01/2021	1,843,463	Not decided	Not decided	-
2	General Manager (GT, HT) & (Acting FT)	16/02/2021	678,920	Not decided	Not decided	-
3	Head of Internal Audit	10/01/2021	667,668	Not decided	Not decided	-
4	Head of Legal Services	05/12/2021	635,410	Not decided	Not decided	-
5	Chief Financial Officer	23/05/2022	602,552	Not decided	Not decided	Joined in May 2022
6	Chief Financial Officer (ex-employee)	26/04/2020	306,005	Not decided	Not decided	Resigned in May 2022

4. The External Auditor:

a. **A summary on the Company's Accounts Auditor for the shareholders:**

EY is one of the largest professional services networks in the world. It primarily provides assurance (which includes financial audit), tax, consulting and advisory services to its clients. has 312,250 employees in over 700 offices in more than 150 countries.

b. **Statement of fees and costs for the audit or services provided by the external auditor, according to the following schedule:**

Name of the Auditing Office and the name of the partner auditor	Ernst & Young Middle East (Dubai Branch Ms.Wardah Ebrahim
Number of years he served as the company external auditor	Ernst & Young was appointed for the year 2021 first time. This is their Second year of Audit.
The number of years that the partner auditor spent auditing the company's accounts	First Year
Total audit fees for 2022 in (AED)	AED 1 million
Fees and costs of other private services other than auditing the financial statements for 2022 (AED), if any, and in case of absence of any other fees, this shall be expressly stated.	**AED 171,363**
Details and nature of the other services (if any). If there are no other services, this matter shall be stated expressly.	External Auditors Representation on Assessment Committee. The merger project with Emirates Takaful. Capital Reduction
Statement of other services that an external auditor other than the company accounts auditor provided during 2022 (if any). In the absence of another external auditor, this matter is explicitly stated.	N/A

c. **Statement clarifying the reservations that the company auditor included in the interim and annual financial statements for 2022 and in case of the absence of any reservations, this matter must be mentioned explicitly.**

These qualifications pertain to the lack of confirmation of investments and receivables from the counter parties involved.

5. The Audit committee:

a. **The Audit Committee Chairman's acknowledgment of his responsibility for the Committee system at the Company, review of its work mechanism and ensuring its effectiveness.**

- Mr. Ahmad al Sadah, Audit Committee Chairman, acknowledges his responsibility for the committee system in the Company, review of its work mechanism and ensuring its effectiveness.

b. Names of the Audit Committee members and clarifying their competences and tasks assigned to them:
Previous Audit Committee Members (before 12/05/2022)

No	Name of the Member	Designation
1	Mr. Ahmad al Sadah	Chairman
2	Mr. Fraih Al Qubaisi	Member
3	Mr. Mohamad Alkhoori	Member

Current Audit Committee Members (after 12/05/2022)

No	Name of the Member	Designation
1	Mr. Ahmad al Sadah	Chairman
2	Mr. Fraih Al Qubaisi	Member
3	Mr. Saeed Alqassimi	Member

- The Committee is responsible for tasks and duties as per terms of reference of audit committee that is formulated based on articles 60, 61 and 62 of Chairman of Authority's Board of Directors' Decision no. (3/Chairman) of 2020 concerning Approval of Joint Stock Companies Governance Guide.

c. Number of meetings held by the Audit Committee during 2021 and their dates to discuss the matters related to financial statements and any other matters and demonstrating the members' personal attendance times in the held meetings.:

S. No.	Name of the Member	First Meeting Date 07 February 2022	Second Meeting Date29 March 2022	Third Meeting Date 12 May 022	Fourth Meeting Date8 August 2022	Fifth Meeting Date 11 August 2022	Sixth Meeting Date 10 November 2022
1.	Mr. Ahmad al Sadah	Present	Present	Present	Present	Present	Present

2.	Mr. Fraih Al Qubaisi	Present	Present	Present	Present	Present	Present
3.	Mr. Mohamad Alkhoori	Present	Present	Present	N/A	N/A	N/A
4.	Mr. Saeed Alqassimi	N/A	N/A	N/A	Present	Present	Present

6. **<u>The Nominations and Remuneration Committee</u>:**

   a. **The Nomination and Remuneration Committee Chairman's acknowledgment of his responsibility for the Committee system at the Company, his review of its work mechanism and ensuring its effectiveness.**

   Mr. Ajit Vijay Joshi, Nomination and Remuneration Committee Chairman acknowledges his responsibility for the committee system in the Company, his review of its work mechanism and ensuring its effectiveness.

   b. **Names of the Nomination and Remuneration Committee members and clarifying their competences and tasks assigned to them:**

Previous Nominations and Remuneration Committee Members (before 11/08/2022)

S. No.	Name of the Member	Designation
1.	Mr. Mohamed Al Khoori	Chairman
2.	Mr. Saeed A Qasimi	Member
3.	Mr. Fraih Al Qubaisi	Member

Current Nominations and Remuneration Committee Members (after 11/08/2022)

S. No.	Name of the Member	Designation
1.	Mr. Ajit Vijay Joshi	Chairman
2.	Mr. Saeed A Qasimi	Member
3.	Mr. Fraih Al Qubaisi	Member

- The Committee is responsible for tasks and duties as per terms of reference of Nominations and Remuneration Committee that is formulated based on article 59 of Chairman of Authority's Board of Directors' Decision no. (3/Chairman) of 2020 concerning Approval of Joint Stock Companies Governance Guide.

c. **Statement of number of meetings held by the Committee during 2022 and their dates, and statement of all Committee members' personal attendance of times.**

  - The Nominations and Remuneration Committee held one meeting on 01 April 2022 which was attended by Mr. Mohamed Al Khoori, and Mr. Fraih Al Qubais, Mr. Saeed Al Qasimi was absent.

7. The Supervision and Follow-up Committee of insiders' transactions:

Its duties were included under the powers of the audit committee according to a decision taken by the Board of Directors during its meeting No. 03/2020 held on: 05/21/2020.

8. The Investment Committee:

a. **Acknowledgment by the Chairman of the committee or the person authorized to be responsible for the committee's system in the company and for reviewing its work mechanism and ensuring its effectiveness.**
"Mr. Saeed Mubarak Al-Hajeri, Chairman of the Investment Committee, acknowledges his responsibility for the committee's system in the company and for his review of its work mechanism and ensuring its effectiveness."

b. **Names of members of the Investment Committee and clarifying their competences and tasks assigned to them.**

S. No.	Name of the Member	Designation
1.	Mr. Saeed Mubarak Al-Hajeri	Chairman
2.	Mr. Saeed Bin Mohammad Alqassimi	Member
3.	H.E. Mr. Mohammed AlShehhhi	Member

d. **The number of meetings and dates of the meetings held by the Investment Committee throughout the year to discuss matters related to the financial statements and any other matters, and the number of attendances in person by the members in the meetings held:**

S. No.	Name of the Member	The First Meeting Date: 07/02/2022	The Second Meeting Date: 27/07/2022	The Third Meeting Date: 25/10/2022	The Fourth Meeting Date: 24/11/2022	The Fifth Meeting Date: 22/12/2022
1.	Mr. Saeed Mubarak Al-Hajeri	Present	Present	Present	Present	Present
2.	Mr. Saeed Bin Mohammad Alqassimi	Present	Absent	Present	Absent	Present
3.	H.E. Mr. Mohammed AlShehhhi	Present	Present	Present	Present	Present

9. The Internal Control System:

a. **An acknowledgement by the Board of its responsibility for the internal control system of the Company, reviewing its mechanism and ensuring its effectiveness:**

The Board of Directors acknowledges responsibility for the implementation, review, and effectiveness of the internal control systems.

b. **Name of the department director, his qualifications and date of appointment:**

Name: Mostafa Abozied
Designation: Head of Internal Audit
Date of appointment with SALAMA: 10 January 2021

Qualification: Bachelor’s degree Finance, Certified Internal Auditor (CIA), Certified Fraud Examiner (CFE), Certified Information System Auditor (CISA)

c. **Name of compliance officer, his qualifications and date of appointment:**

Name: Khaled Barakat
Designation: Head of Legal Department
Date of appointment with SALAMA: 05/12/2021
Qualification: Bachelor's degree in Law and has long experience in legal and regulatory affairs in financial institutions, insurance and Takaful companies in the UAE and the GCC, and he is a Board Secretary approved by Hawkamah.

d. **How the Internal Control Department dealt with any major problems at the Company or those that were disclosed in the annual reports and accounts (in case of the absence of major problems, it must be mentioned that the Company did not face any problems):**

There were no recent major issues during 2022.

e. **Number of reports issued by the Internal Control Department to the Company's Board of Directors.**

The Internal Control Department submitted 24 reports during 2021 to the company's board of directors.

10. Details of the violations committed during the fiscal year 2022, their reasons and how they are treated and avoided in the future:

SALAMA did not commit any violation during 2022.

11. The contributions in-cash and in-kind made by the Company during 2022 to the development of the local community and the preservation of the environment. (if none, please mention that the Company made no contribution):

AED 16,000.

12. General Information:

a. **Statement of the company share price in the market (closing price, highest price, and lowest price) at the end of each month during the fiscal year 2022:**

The Month	The Highest	The Lowest	The Closing
Jan 2022	0.784	0.735	0.755
Feb 2022	0.799	0.632	0.664
Mar 2022	0.745	0.630	0.698
Apr 2022	0.723	0.661	0.700
May 2022	0.705	0.561	0.610
Jun 2022	0.650	0.568	0.582
Jul 2022	0.597	0.551	0.570
Aug 2022	0.594	0.495	0.539
Sep 2022	0.544	0.487	0.487
Oct 2022	0.643	0.510	0.518
Nov 2022	0.601	0.506	0.545
Dec 2022	0.582	0.508	0.531

b. **B. Statement of the Company comparative performance with the general market index and sector index to which the Company belongs during 2021:**

<u>First: the performance of the Share compared to the DFM Index</u>:

Month	Jan 2022	Feb 2022	Mar 2022	Apr 2022	May 2022	Jun 2022	Jul 2022	Aug 2022	Sep 2022	Oct 2022	Nov 2022	Dec 2022
SALAMA	0.755	0.664	0.698	0.7	0.61	0.582	0.57	0.539	0.487	0.518	0.545	0.531
DFMGI	3203.08	3354.64	3526.6	3719.63	3347.24	3223.29	3337.96	3443.11	3339.15	3331.76	3323.96	3336.07

Second: the performance of the Share compared to the Insurance Sector:

Month	Jan 2022	Feb 2022	Mar 2022	Apr 2022	May 2022	Jun 2022	Jul 2022	Aug 2022	Sep 2022	Oct 2022	Nov 2022	Dec 2022
SALAMA	0.755	0.664	0.698	0.7	0.61	0.582	0.57	0.539	0.487	0.518	0.545	0.531
INSURANCE	2416.75	2549.30	2587.59	2659.38	2399.45	2312.80	2368.10	2359.33	2381.43	2351.51	2348.51	2354.84

c. **Statement of the shareholders ownership distribution as on 31/12/2022 (individuals, companies, governments) classified as follows: local, Gulf, Arab and foreign:**

S. No.	The Category of the Shareholder	The shares owned			
		Individuals	Companies	Governments	Total
1.	Local	47.5107%	40.9884%	-	88.3987%
2.	GCC countries	1.7878%	0.3222%	-	2.1100%
3.	Arab	5.2064%	0.1996%	-	5.4060%
4.	Foreign	2.0080%	1.9769%	-	3.9849%
5.	Total	56.5129%	43.4871%	-	100 %

d. **Statement of shareholders owning 5% or more of the Company's capital as on 31/12/2022 according to the following schedule:**

S. No.	Name	Number of the shares owned	Percentage of the shares owned in the Company's capital
1.	Goldilocks Investment Company Limited	160,750,000	13.2851%

2.	Ajman Bank PJSC	201,700,000	16.6694%
3.	Mohammed bin Ahmed bin Saeed Al Qasimi	164,525,517	13.5972%

e. Statement of how shareholders are distributed according to the volume of property as on 31/12/2022 according to the following schedule:

No.	Shareholding (the share)	The number of shareholders	The number of shares owned	Percentage of the shares owned in the Company's capital
1.	Less than 50,000	5,811	46,628,540	%3.854
2.	From 50,000 to less than 500,000	939	140,191,907	%11.586
3.	From 500,000 to less than 5,000,000	176	211,037,546	%17.441
4.	Over 5,000,000	23	812,142,007	%67.119
	Total		1,210,000,000	%100

f. Statement of measures taken regarding the controls of investor relationships and an indication of the following:

Mr. Fadi Hosn
Tel: +971 4 404 0960
Fax: +971 4 357 6996

Email: Fadi.Hosn@salama.ae
The link to the investor's relations page on the Company's website: https://salama.ae/investor-relations/

g. Statement of the special decisions presented in the General assembly held during 2022 and the procedures taken in their regard:

1) Approving by way of a Special Resolution the reduction of the issued share capital of the Company of AED 1,210,000,000/- (one billion two hundred ten million UAE dirhams) to AED 939,588,998/- (Nine hundred thirty nine million, five hundred eighty eight thousand, nine hundred ninety eight UAE dirhams) with a reduction amounting to AED 270,411,002/- (Two hundred seventy million, four hundred eleven thousand, and two UAE dirhams) and approving the amendment of Article 6

of the Company's Article of Association, subject to the approval of the competent authorities (Securities and Commodities Authority and the Central Bank).
The reduction will be through writing off the accumulated losses amounting to AED 270,411,002/- after utilization of statutory reserves amount of AED 101,261,805/- as of December 31, 2021, by cancelling a number of shares equivalent to the same, in accordance with Article 205 of Federal Decree-Law No. 32 of 2021 regarding commercial companies.

2) Approving the amendment of Articles of Association of the Company in line with the Company Law issued by the Decree Federal Law No. 32 of 2021 concerning Commercial Companies, after obtaining Authorities approval.

h. Rapporteur of the Board meetings

Name of the rapporteur of the Board meetings: Khaled Barakat
The date of appointment: 05/12/2021.
His qualifications and experience: Bachelor's degree in Law and has long experience in legal and regulatory affairs in financial institutions, insurance and Takaful companies in the UAE and the Gulf region, and he is a Board Secretary approved by Hawkamah
Statement of his duties during the year: In addition to being the General Counsel of the Company, Khaled handles board secretarial work.

i. Detailed statement of major events and important disclosures that the Company encountered during 2021:

- Mr. Zaheer Iqbal resigned from his position as CFO of the company, and Mr. Fadi Hosn was appointed as the new CFO of the company.
- Mr. Mohamad Husain Mohamed Shareef Alkhoori, resigned from his position as member of the Company's Board of Directors, and Mr. Mr. Ajit Vijay Joshi, was appointed as a new member of the Company's Board of Directors.
- Mr. Debashish Maitra has retired from his position as General Manager, Family Takaful in the company, and Mr. Aoun AlSmadi has been appointed as Acting General Manager - General Takaful of the company.

- Conclusion of Court Case filed against - Islamic Arab Insurance Company PSC (SALAMA) regarding the alleged loan and the subsequent legal action taken by RUSD Investment Bank against SALAMA. In this case, RUSD Investment Bank was represented by its Chairman, Mr. Saleh Malaikah (former Vice Chairman of SALAMA, who was dismissed without discharge by the Shareholders in their General Assembly meeting dated April 25, 2019). Dubai Court of Cassation issued its final judgement in favor of SALAMA and all taken actions against SALAMA have been cancelled
- unlock its 1.2mn “Founder’s Shares” in SALAMA Cooperative Insurance Company (“SALAMA KSA”). Following the approval of Saudi Central Bank (SAMA), and Saudi Capital Market Authority (CMA) and the listing of SALAMA KSA shares following capital reduction, we sold 1,183,000 out of 1.2mn shares for a net consideration of SAR 31,378,370 (average sale price of SAR 26.52). SALAMA’s remaining holding in SALAMA KSA is now 17,000 shares.
- Press release regarding SALAMA partners with leading French broker April international to deliver innovative global health insurance solutions to UAE consumers.
- Referral of the former Vice Chairman/Managing Director of the Islamic Arab Insurance Company PSC (SALAMA and others to the Penal Court of Dubai for several charges as a result of legal actions taken by SALAMA.
- initial approval for the intended merger between SALAMA and Takaful Emarat has been obtained, and the Company is working to fulfil all legal and regulatory requirements to complete that merger .
- SALAMA has also initiated negotiations with Dubai Islamic Insurance and Reinsurance Company PSC- AMAN to acquire a portion of Aman’s general, medical, and Family Takaful (the takaful alternative to life insurance) portfolios. The transaction is subject to due diligence, further negotiations between the parties, and regulatory approvals.
- Press release regarding SALAMA to offer Corporate Insurance services on ADDED’s ‘Investor Journey’ portal.
- Press release regarding the conclusion of the “SALAMA”, its “Good People of Dubai” campaign, with an unprecedented record participation on social media platforms.

j. A statement of the transactions carried out by the company during the year 2022 that are equal to 5% or more of the company's capital.

Nil

k. Statement of Emiratization percentage in the Company (workers are excluded for companies working in the field of contracting):

Year	Emiratization percentage
2020	6.78%
2021	8.97%
2022	11.67%

l. Statement of innovative projects and initiatives carried out by the company or being developed during 2022.

- ✓ Emiratization Project – With this project SALAMA Achieved the Emiratization target assigned by MOHRE and CBUAE.
- ✓ Organization Restructuring & New Pay Grades – Re-designed organization structure for seamless business process management and better customer experience. New grade and pay structures to align remuneration to market pay and enhance attractiveness and employee retention.
- ✓ UAE National Development Programs - Multiple programs to educate and develop national talents. (ADGM National Insurance Program, SALAMA - UAE National Employee Development Program, UAEN ETHRAA Project Contribution)
- ✓ SALAMA Academy & Employee Performance Management – Re-launch of Learning & Development programs under Academy & New Employee Performance Management System.
- ✓ SALAMA Sustainability Project – Various initiatives are undertaken by the organization to support UAE's Vision on Global Sustainability.
- ✓ IFRS17 implementation with Finance is underway based on regulatory alignment.
- ✓ SALAMA strengthened DTC (Direct to Customer) Channel and launched several new product lines including Basic Health Plan online.
- ✓ Started WhatsApp services for customers to interact with SALAMA for services
- ✓ Policy Issuance on What's App - Customers can buy end to end Pet Takaful and Basic Health Takaful Plan on WhatsApp chat
- ✓ SALAMA won more than 12 awards in 2022 for being a thought leader, innovating and digital organization
- ✓ Successfully ran campaign supporting DHA initiatives and long term benefits of Family Takaful Plan.
- ✓ Developing Pet Takaful portal on our website which offers a unique customer journey in order to provide end to end to quotations and policy issuance for our products.
- ✓ Developing office takaful package and integration with Abu Dhabi Department of Economic Development (ADDED).
- ✓ Developing Non GCC motor takaful portal on our website which offers a unique customer journey in order to provide end to end to quotations and policy issuance for our products.
- ✓ Developing Motor TPL takaful portal for bordars on our website which offers a unique customer journey in order to provide end to end to quotations and policy issuance for our products.

- ✓ Attained Payment Card Industry Data Security Standard (PCI DSS) compliance to demonstrate our commitment towards information security.
- ✓ Initiated a data classification programme across the organization to enhance controls on information.
- ✓ Initiated Enterprise Content Management solutions for our Motor Claims Dept Sri streamline processes and manage TAT with process optimization and digitization with plans to extend this across the organization.

Signature of the Board Chairman **Mr Jassim Alseddiqi Alansaari**	**Signature of Audit Committee Chairman** **Mr. Ahmad Al Sadah**	**Signature of Nomination and Remuneration Committee Chairman** **Mr. Ajit Vijay Joshi**	**Signature of Internal Control Department Director** **Mr. Mostafa Abouzied**
Date: 24 / March / **2023**	**Date:** 24. / March / **2023**	**Date:** 24 / March / **2023**	**Date: 28/March/ 2023**

Company Official Seal

سلامة
SALAMA
الشركة الإسلامية العربية للتأمين (ش.م.ع)
ISLAMIC ARAB INSURANCE CO.(P.S.C.)
DUBAI - U.A.E (1)

سلامة
SALAMA

معاً. لمستقبلٍ آمن.
SECURING OUR FUTURE. together.

SALAMA

SUSTAINABILITY REPORT 2022

SALAMA – Islamic Arab Insurance Company (P.S.C)

Insuring Our Future:
SALAMA's Commitment to Sustainable Practices in 2022

CONTENT

ABOUT THIS REPORT

(GRI 2-1, GRI 2-2, GRI 2-3, GRI 2-4, GRI 2-5, G7, G8, G9)

REPORTING SCOPE

This is the third Sustainability Report for Islamic Arab Insurance Co. (SALAMA) PJSC, which covers the period January 1 to December 31, 2022, unless stated otherwise.

Islamic Arab Insurance Co. (SALAMA) PJSC is a public joint stock company, registered in the Emirate of Dubai. The Company's headquarters is on the 4th floor of spectrum building, block A, in Oud Metha, P.O. Box 10214 Sheikh Rashid Road in Dubai.

The company is licensed by the Ministry of Economy under License No: 208016 Register No: 42381 and registered with the CBUAE under number 17.

Islamic Arab Insurance Co. has been listed on the Dubai Financial Market (DFM) since September 16, 2005.

The Company's principal activities are in the UAE where it operates through its Dubai headquarters along with four branches (Abu Dhabi, Dubai, Al Ain, and Sharjah), as of December 31, 2022.

The Company also operates regionally through its five subsidiaries and one associate:

- TARIIC Holding Co
- Misr Emirate Takaful Life Insurance Co. in Egypt
- Egyptian Saudi Insurance Home in Egypt
- Islamic Insurance (Jordan) Associate
- SALAMA Assurances Algeria in Algeria
- SALAMA Immobilier - Senegal

The latter subsidiary is owned through Tariic Holding Company B.S.C. a subsidiary of Islamic Arab Insurance Co which acts as an intermediate holding company in Bahrain with no commercial activities.

This report covers all of the company's branches though not the various subsidiaries and reflects the company's UAE operation which contributes over 90% of the group's revenues.

BASIS OF PREPARATION

This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards 2021 Update, which is effective for reports published from January 1, 2023 onwards, as well as with the Dubai Financial Market's (DFM) ESG metrics. In addition, the report outlines Islamic Arab Insurance Co's alignment with the Sustainable Development Goals.

EXTERNAL ASSURANCE

The content of this report has been reviewed by relevant internal departments. In addition, our financial statements have been audited by a reputable independent audit firm. We will look to widen the validation scope of our next report to include our internal audit function.

FORWARD-LOOKING STATEMENTS

It is important to note that forward-looking statements involve uncertainty given the many external factors that could impact the environment in which the Company operates. The Company holds no obligation to publicly update or revise its forward-looking statements throughout the coming fiscal year except as required by applicable laws and regulations. It is therefore not within the scope of our internal audit team to form an opinion on these forward-looking statements.

COMMUNICATION & FEEDBACK

References to the GRI Standards and DFM ESG disclosures are found at the top of each section. The GRI content index, which forms an integral part of Sustainability Reports is prepared in accordance with the GRI Standards and included at the end of the report. The index is inclusive of DFM's ESG disclosures.

For any queries or feedback about this report, please contact:

Name: Ahmad Abdelrahim
Email: ahmad.abdelrahim@salama.ae
Phone: +971 4 4040 223

LETTER FROM OUR CHAIRMAN

(GRI 2-2)

Mr. Jassim Alseddiqi
Chairman of the board of directors

It is my privilege to present Islamic Arab Insurance Co.'s (SALAMA) 2022 Sustainability Report, the third successive year that we have reported on our sustainability progress.

SALAMA continues to explore ways to refine our approach to sustainability and align our business operation with national and global strategies to address major challenges, while simultaneously managing risks and opportunities and creating value for all stakeholders.

The correlation between ESG and Islamic insurance is now well established. The basic tenets of ESG – which focuses on managing risks related to material environmental, social and governance factors - are naturally aligned with SALAMA's role as a Shari'ah based financial institution.

As a leading takaful insurer and one of the world's largest Takaful companies, we believe that SALAMA's core service offering combined with our business values support societal and environmental resilience and wellbeing, promote ethical governance, and contribute to economic prosperity for all.

This report lays out how SALAMA can effectively promote sustainability as an insurer, as an investor, and as an employer. It details how we have engaged with stakeholders to understand what matters to them and how this has helped us to define our material ESG topics and future priorities.

Through our underwriting activities, we provide a wide range of products and services that protect individuals and businesses from various risks and support them to build a more resilient future. In parallel, we are continuously refining our investment approach to integrate ESG factors and target investments that can not only deliver strong returns but also stimulate sustainable activities.

As an employer, we prioritize the wellbeing of our workers and provide them with opportunities to build their career in a diverse and inclusive environment. Furthermore, we are supporting the local community by providing more opportunities for UAE nationals who, I am pleased to say, now comprise more than 10% of SALAMA's workforce.

The report also highlights how we continue to invest in digitalizing our operations, from end to end, to optimize all business processes and deliver a seamless customer experience while protecting their data privacy. Investment in technology reached AED 3.57 million in 2022, an increase of 24% compared to the previous year. SALAMA has reached an advanced stage with its digital transformation journey and we are already seeing the benefits of these efforts.

LETTER FROM OUR CHAIRMAN

(GRI 2-2)

Mr. Jassim Alseddiqi
Chairman of the board of directors

Now, more than ever before, it is time for private sector companies to step up and play their part in creating a more sustainable world. With the COP28 climate conference to be held in the UAE in November 2023, SALAMA is fully committed to answering the UAE government's call for private companies to mobilize in support of the country's Net Zero by 2050 emissions. We will look for ways to achieve closer alignment between our strategy and this objective in the coming years.

In closing, I have every confidence in the future of our company and our ability to meet the evolving demands of the insurance industry. We will continue to strive for excellence and to provide superior customer service.

I would like to extend my sincere gratitude to our investors, customers, employees and other stakeholders for their support and contributions to our success. Your trust and confidence in SALAMA drives us to continue to deliver value to you.

Sincerely,
Mr. Jassim Alseddiqi
Chairman of the board of directors

OUR PURPOSE

(GRI 2-6, GRI 2-7, GRI 2-8, GRI 2-28)

SALAMA at a Glance

40+
Years of Operation

234
Employees

400,000+
Insured/ Subscribers

AED 867 mn
Total Revenues

AAA
Capital Adequacy Rating by Standard & Poor's

40+
Insurance Services Provided

2022 AWARDS & ACCOLADES

SALAMA awarded ‘Takaful Specialist of the Year’ for the second consecutive year at the MENA Insurance Review Awards (MENAIR)

‘Leading TAKAFUL Insurance Provider’ at Insuretek Middle East 2022

OUR BUSINESS

Founded in 1979, Islamic Arab Insurance Company (SALAMA) is one of the world’s largest and oldest providers of Shari’ah-compliant insurance solutions, commonly known as ‘Takaful’.

The company has been listed on the Dubai Financial Market (DFM) since 2005 and had a paid-up capital of AED 1.21 billion at the end of December 2022.

SALAMA is headquartered in Dubai and has four additional branches in Dubai, Abu Dhabi, Sharjah, and Al Ain. UAE operations account for more than 90% of the Group’s revenues.

The company also operates internationally through subsidiaries and associates, operating in Egypt, Algeria, Senegal, and Jordan.

We are committed to becoming the UAE’s Takaful operator of choice by delivering insurance products and services that meet the needs of all customers.

OUR VISION

To be the leading provider of innovative and customized takaful solutions backed by strong financial and human resources.

OUR MISSION

To achieve a global leadership in cooperative insurance industry in terms of Shareholder Equity & Market Share.

OUR VALUES

- Honest relations and trustworthy management
- Dynamic, disciplined, and outstanding performance
- Transparency & commitment to responsibilities
- Faithfulness in business & strive in achieving success, teamwork, and mutual respect

2022 MAJOR MILESTONE

SALAMA to acquire the insurance portfolio of Dubai Islamic Insurance and Reinsurance Company, known as Aman, as it seeks to boost its market share and competitiveness.

A statutory merger will take place with SALAMA and Takaful Emarat Insurance PSC (“TE”) as part of an amalgamation in which SALAMA will be the surviving business and all of TE’s assets and liabilities will be transferred to SALAMA.

OUR TAKAFUL SERVICES AND PRODUCTS

(GRI 201-1, GRI 203-2, GRI 418-1, G7)

SALAMA offers a comprehensive range of General, Family and Health Shari'ah-compliant insurance solutions for individuals, families, and companies.

Our reputation in the market is second-to-none thanks to our focus on innovation, quality and affordability, always putting the customer first.

Some of our largest products are listed below:

AUTO TAKAFUL

- Comprehensive Car Insurance
- Third Party Car Insurance
- Fleet Insurance
- Boarder Car Insurance

HEALTH TAKAFUL

- Individual Health Plan
- Group Health Plan

FAMILY TAKAFUL

- Whole of Life Plan
- Term Plan
- Savings Plan
- Investment Plan
- Group Family
- Group Credit
- Group Credit Shield
- Group Home Finance

GENERAL TAKAFUL

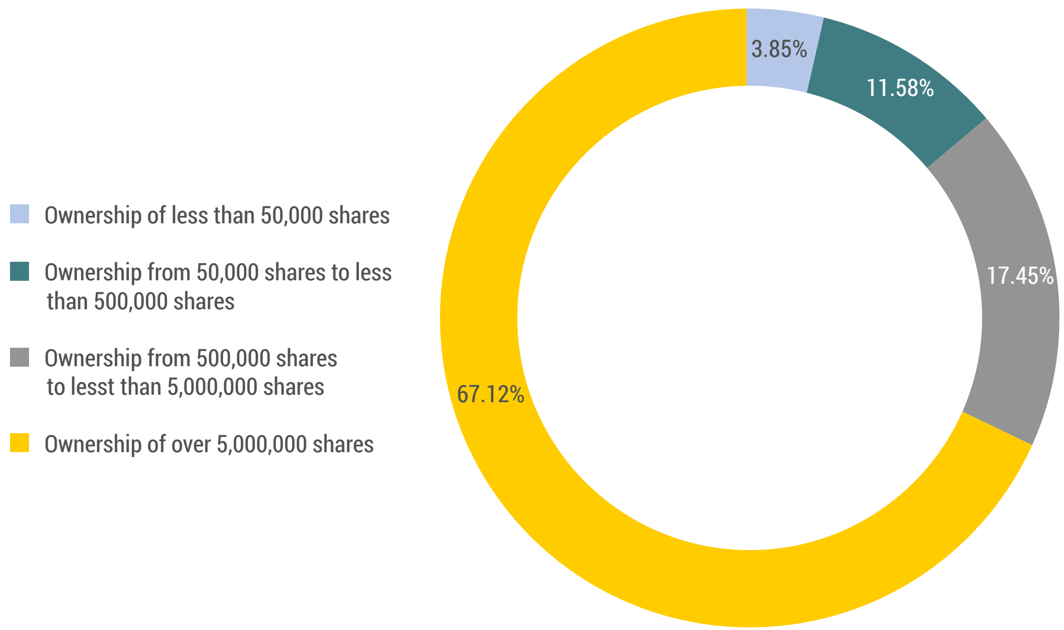
- Contractor All Risks Insurance
- Business Interruption Plan
- Marine Cargo Insurance
- Property All Risk Insurance
- Pet Takaful
- Device Takaful Insurance Policy Against Loss and Damage
- Travel Takaful Product
- Home Takaful Product
- Personal Accident Insurance
- Engineering Insurance

OUR OWNERSHIP STRUCTURE

SALAMA has a large shareholder base with a total of 6,949 shareholders. The company has three major shareholders which combined own approximately 44% of the company's equity.

The majority of the company's shares are owned by investors holding over 5 million shares each.

2022 OWNERSHIP STRUCTURE



OUR SUSTAINABILITY PRIORITIES

(GRI 2-29, GRI 2-30, GRI 3-1, GRI 3-2)

When ESG first emerged as an approach to managing risks and enhancing long-term investment returns, it did so through the process of negative screening, or avoiding investments in companies that engage in activities deemed harmful to society.

This practice is in keeping with the principles of Islamic finance which forbids investment in companies involved in non-Shari'ah compliant activities such as alcohol, tobacco, and gambling.

Over the past 20 years it has become increasingly clear that certain practices, while generating economic growth, are also threatening the long-term wellbeing of people and planet.

This view has helped us to define our approach to ESG. As a leading insurer and one of the world's largest Takaful companies, we believe that integrating ESG into our business model and strategy is very much aligned with our DNA as a Shari'ah company.

In doing so, Takaful companies, such as SALAMA, can be natural contributors to the transition to a more sustainable economy, one that promotes the wellbeing of society and the environment while also creating sustainable, long-term economic value.

Insurance companies can drive sustainability in various ways, such as:

- Environmental impact: Minimizing the direct environmental impact of their operations and investing in initiatives aimed at tackling climate change or other environmental threats such as pollution
- Social responsibility: Supporting the wellbeing of all people, including employees, customers and the wider community and promoting diversity and inclusion within their organizations.
- Ethical investing: Aligning investment decisions with sustainable principles to achieve better outcomes and avoiding investments in companies with poor environmental or social track records.
- Climate risk management: Assessing and managing the risks associated with climate change, and providing products that help society to adapt to climate change impacts, such as extreme weather events and rising temperatures
- Transparency and reporting: Disclosing comprehensive, accurate information on their sustainability strategies and performance, such as through sustainability reports.

For more than four decades, SALAMA has provided a range of products and services that protect individuals and businesses from various risks and enabled them to build a more resilient future.

The pillars of our sustainability journey are based on our commitment to supporting all key stakeholders, protecting the environment, promoting ethical governance, and refining our investment approach.

A robust ESG framework enables us to develop a better understanding of how ESG factors impact our business as well as how our activities impact the environment and society.

It helps to guide more effective decision-making around how our underwriting activities, risk management and asset management practices, among others, can be enhanced to support sustainability.

OUR PRIORITIES ARE:

1. EMPOWERING OUR WORFORCE

2. SUPPORTING OUR CUSTOMERS

3. PROTECTING OUR ENVIRONMENT

4. OPERATING ETHICALLY AND SUSTAINABLY

EMPOWERING OUR WORKFORCE

Employee wellbeing is an essential contributor to the sustainability of an organization. SALAMA promotes the health and happiness of all our employees through engagement, equal opportunity, skills development, and personal growth.

SUPPORTING OUR CUSTOMERS

Developing solutions that meet the needs of our customers while maintaining their trust and confidence is at the heart of our business. Our product design process is rooted in innovation and based on our understanding of our clients' needs and deep knowledge of the latest market trends. We strive to enhance the digital experience for our customers while safeguarding their data. SALAMA wants to be known as a brand of reliability and trust.

PROTECTING OUR ENVIRONMENT

Protecting the environment starts with spreading awareness and instilling a sense of responsibility among the workforce. We are striving to create a workplace where everyone adopts responsible energy consumption habits while producing less paper and generating less waste.

As part of efforts to monitor and measure our environmental impact, SALAMA computes our GHG emissions and are gradually expanding the scope of the calculation to include Scope 3 emissions. We will also calculate the impact of our investment portfolio and subsidiaries.

OPERATING ETHICALLY AND SUSTAINABLY

Sound governance provides a firm foundation for all successful businesses. SALAMA has stringent internal control and risk management frameworks to ensure that the company is managed responsibly. Moving forward, we will look to integrate ESG into our governance to address and mitigate emerging risks.

OUR MATERIAL TOPICS

Engaging with our Stakeholders and Understanding our Impact

To create sustainable shared value, companies must engage with key stakeholders to develop a clear understanding of the issues that matter to them.

This understanding allows us to determine which ESG topics are most material to our business. We can then integrate those topics into our strategic and operational decision-making accordingly.

An effective, systematic engagement process helps to foster close relationships with stakeholders, build their trust and confidence, and understand their needs.

Similar to last year, for this report we used our existing engagement channels to determine key stakeholder concerns.

Below is the list of SALAMA's key stakeholders and their respective engagement channels:

KEY STAKEHOLDER GROUPS	EXISTING METHODS OF ENGAGEMENT
SUBSCRIBERS	• Website • Direct clients • Broker channel • Marketing material • Social media • Online customer reviews • Quality calls by the operation department • Central Bank complaint portal
BOARD OF DIRECTORS & SENIOR EXECUTIVES	• Regular board/management meetings • Regular committee meetings • Company events • Annual general assembly meeting
EMPLOYEES	• Performance reviews • Company training • Internal announcements • Company events • Exit interviews
SHAREHOLDERS	• Annual general assembly meeting • Regular meetings with some of the major shareholders • Regular corporate regulatory disclosures
COMMUNITY	• CSR related activities including, donations, sponsorships, partici-pation in local initiatives and volunteering
GOVERNMENT (Securities & Commodities Authority, Central Bank, Dubai Financial Market, Abu Dhabi & Dubai Department of Health, Department of Economic Development, and Emirates Association)	• Direct engagement through emails and phones • Local forums • Government tendering • Webinar
BUSINSS PARTNERS (Reinsurers, TPAs, and Brokers)	• Regular meetings with select business partners • Regular business review
RATING AGENCIES	• Regular reviews (yearly basis)

As part of the materiality assessment, SALAMA conducted a thorough peer analysis to identify sustainability impacts specific to the insurance sector. We used the Sustainability Accounting Standards Board's (SASB) materiality map to align these topics with SALAMA's strategic objectives and operational activities.

This dual approach to materiality assessment enabled us to finalise and prioritize a list of material topics that SALAMA must manage and report on. We continuously revise this list to include any new priorities that may arise due to changing market conditions.

Each of the key material topics has been listed with the corresponding GRI and DFM disclosures. The GRI and DFM Index contains the details of the specific metrics reported and the reference page.

ITEM	KEY MATERIAL TOPIC	CORRESPONDING GRI DISCLOSURE	CORRESPONDING DFM DISCLOSURE
1	Environmental Impact & Sustainability Practices	GRI 302 – Energy GRI 305 – Emissions	E1: GHG Emissions E2: Emissions Intensity E3: Energy Usage E4: Energy Intensity E5: Energy Mix E6: Water Usage E7: Environmental Operations E8: Environmental Oversight E9: Environmental Oversight
2	Climate Change		E7: Environmental Operations E8: Environmental Oversight E9: Environmental Oversight E10: Climate Risk Mitigation
3	Data Protection & Customer Privacy	GRI 418 – Customer Privacy	G7: Data Privacy
4	Product & Service Information Labelling	GRI 417 – Marketing & Labelling	N/A
5	Community Support	GRI 413 – Local Communities	S12: Community Investment
6	Digitalization	N/A	N/A
7	Employment Practices	GRI 401 – Employment	S3: Employee Turnover
8	Employee Skills & Development	GRI 404 – Training and Education	N/A
9	Equal Opportunity, Diversity & Inclusion	GRI 405 – Diversity & Equal Opportunity	S2: Gender Pay Ratio S4: Gender Diversity G1: Board Diversity
10	Financial Performance	GRI 201 – Economic Performance	N/A
11	Business Ethics	GRI 205 – Anti-Corruption	G6: Ethics & Anti-Corruption
12	ESG Integration into analysis & Decision Making		E7: Environmental Operations E8: Environmental Oversight E9: Environmental Oversight E10: Climate Risk Mitigation

ENVIRONMENTAL

- **ENVIRONMENTAL IMPACT & SUSTAINABILITY PRACTICES**

This topic addresses practices, policies, and procedures that a company undertakes in order to monitor and address the environmental impact caused by its activities and comply with local and global environmental legislation. This could include a wide range of initiatives to address environmental impact, such as water reduction and waste recycling programs, energy efficiency measures, renewable energy usage, among others.

- **CLIMATE CHANGE**

This topic addresses a company's understanding of its exposure to climate-related risks and opportunities and measures to address them. This could include the company's integration of climate-related matters as part of its governance, strategy, and risk management as well as its active involvement in decarbonizing its own operations or those of its supply chain

SOCIAL

- **COMMUNITY SUPPORT**

This topic addresses a company's efforts to support local communities and its management of the relationship between its business aspirations and the community's well-being. This could include community engagement, support of local businesses and impactful initiatives, monetary donations, sponsorships, as well as efforts to develop local capabilities. Emiratization is covered under this topic.

- **PRODUCT & SERVICE INFORMATION LABELLING**

This topic addresses a company's responsible marketing practices, specifically in ensuring transparency, accuracy, and comprehensibility of labeling of product and services, advertising and any other marketing statements.

- **EQUAL OPPORTUNITY, DIVERSITY & INCLUSION**

This topic addresses a company's efforts to create a work environment that promotes diversity and inclusion and prioritizes the happiness and well-being of all its employees regardless of gender, age, nationality, job level or other. Such an environment inspires a sense of belonging among the workforce.

- **EMPLOYMENT PRACTICES**

This topic addresses a company's efforts in building a positive work environment. This would include the company's strategy in attracting and retaining the right talent, its plan in ensuring a fair hiring process based solely on talent, and efforts in creating a workplace that promotes appreciation, talent development, and leadership to retain talent and reduce attrition rates.

- **EMPLOYEE SKILLS DEVELOPMENT**

This topic addresses a company's investment in training and development programs, and in ensuring employee skill enhancement (soft and technical skills) as well as fair performance and career development reviews.

GOVERNANCE AND ECONOMICAL

1. FINANCIAL PERFORMANCE

This topic addresses a company's efforts to sustain and grow profits and to continuously increase shareholder value over time through a well-defined growth strategy.

2. BUSINESS ETHICS

This topic addresses a company's governance framework and related policies and procedures to ensure a robust structure as well as the management of business ethics issues such as bribery, corruption, and unethical business conduct.

3. DATA PROTECTION & CUSTOMER PRIVACY

This topic addresses a company's strategy, policies and practices related to its IT infrastructure and its management of risks related to the collection, retention, and use of sensitive and confidential data. It involves the processes to ensure the security of customer/user data and avoid incidents such as data breaches.

4. DIGITALISATION

This topic addresses a company's approach to digital transformation and the efforts in creating or investing in technology that generates long-term sustainable value. This could include the use of digital technologies to enhance a business model, optimize processes or improve the customer experience as well as the investment in new technologies that create more environmentally friendly and/or social-oriented products and services.

5. ESG INTEGRATION INTO ANALYSIS AND DECISION-MAKING

This topic addresses a company's explicit and systematic inclusion of Environmental, Social and Governance (ESG) issues in analysis and decision-making. This means analyzing ESG information on top of financial information, that it is assessing the potential impact of material financial and ESG factors on company performance and that it is making investment decisions that include considerations of all material factors, including ESG factors.

SDG ALIGNMENT

The 2030 Agenda for Sustainable Development and the 17 Sustainable Development Goals (SDGs) provide a shared blueprint to collectively tackle humanity's biggest challenges and to build a more inclusive and sustainable world for people everywhere.

Adopted in 2015 by 193 UN member states, the 2030 Agenda and the SDGs call for urgent action to address systemic challenges, especially in the world's poorest countries, and emphasize the importance of climate action and preserving the planet.

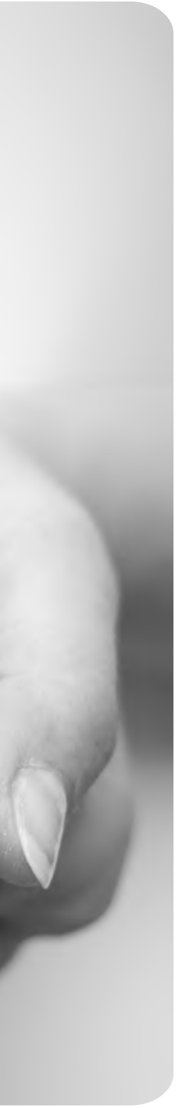
The 17 SDGs and 169 targets are interconnected and indivisible and require all stakeholders, including governments, businesses, civil society, and academia to work together to achieve all objectives.

With sustainability firmly entrenched as a pillar of its future development plans, the UAE has aligned and integrated the SDGs into various national strategies and encourages the private sector and civil society, including youth to take an active role in contributing to their achievement.

SDG 13 specifically addresses the need for collective global efforts to address Climate Change as humanity's biggest threat. The negative impacts of climate breakdown are so broad that they threaten to undermine all other SDGs. The UAE is a signatory to the Paris Agreement and is accelerating action to decarbonize the country's economy, including by committing to achieve Net Zero emissions by 2050.

Insurance companies have a unique opportunity to support the economic, social, and environmental dimensions of sustainable development through their role as asset owners, investors, employers and corporate citizens.

SALAMA uses the SDG Compass tool to map the company's activities against the SDGs and develop a better understanding of our impact and how we can effectively align our strategy with the goals. Through this exercise we have identified five SDGs that are most relevant to our business, and therefore, that SALAMA can have the biggest impact on.



1 NO POVERTY

END POVERTY IN ALL ITS FORMS EVERYWHERE

3 GOOD HEALTH AND WELL-BEING

ENSURE HEALTHY LIVES AND PROMOTE WELL-BEING FOR ALL, AT ALL AGES

5 GENDER EQUALITY

ACHIEVE GENDER EQUALITY AND EMPOWER ALL WOMEN AND GIRLS

8 DECENT WORK AND ECONOMIC GROWTH

PROMOTE SUSTAINED, INCLUSIVE, AND SUSTAINABLE ECONOMIC GROWTH, FULL AND PRODUCTIVE EMPLOYMENT, AND DECENT WORK FOR ALL

13 CLIMATE ACTION

TAKE URGENT ACTION TO COMBAT CLIMATE CHANGE AND ITS IMPACTS

SALAMA has aligned our sustainability priorities, material ESG topics, and key SDGs in the following matrix which provides a holistic and integrated understanding of our sustainability impact, measured through our performance against relevant GRI disclosures and metrics.

PRIORITY 1	EMPOWERING OUR WORKFORCE
3 GOOD HEALTH AND WELL-BEING; 5 GENDER EQUALITY; 8 DECENT WORK AND ECONOMIC GROWTH	
1. Employment Practices 2. Employee Skills & Development 3. Equal Opportunity, Diversity & Inclusion	**GRI 401 – Employment** **GRI 404 – Training and Education** **GRI 405 – Diversity & Equal Opportunity**

PRIORITY 2	SUPPORTING OUR CUSTOMERS
1 NO POVERTY; 3 GOOD HEALTH AND WELL-BEING	
4. Data Protection & Customer Privacy 5. Product & Service Information Labelling 6. Digitalization	**GRI 418 – Customer Privacy** **GRI 417 – Marketing & Labelling**

PRIORITY 3	PROTECTING OUR ENVIRONMENT
8 DECENT WORK AND ECONOMIC GROWTH; 13 CLIMATE ACTION	
7. Environmental Impact & Sustainability Practices 8. ESG integration into analysis and decision-making 9. Climate Change	**GRI 302 – Energy** **GRI 305 – Emissions**

PRIORITY 4	OPERATING ETHICALLY AND SUSTAINABLY
1 NO POVERTY; 3 GOOD HEALTH AND WELL-BEING; 5 GENDER EQUALITY; 8 DECENT WORK AND ECONOMIC GROWTH; 13 CLIMATE ACTION	
10. Financial Performance 11. Business Ethics 12. Community Support	**GRI 201 – Economic Performance** **GRI 205 – Anti-Corruption** **GRI 413 – Local Communities**

EMPOWERING OUR WORFORCE

(GRI 202-2, GRI 401-1, GRI 401-2, GRI 403-8, GRI 403-9, GRI 404-1, GRI 404-2, GRI 404-3, GRI 405-1, GRI 405-2, GRI 406-1, GRI 413-1, S2, S3, S4, S5, S6, S7, S8, S11, G1)

A talented and motivated and workforce is vital for the success of any organization and SALAMA's employees are no exception. Our mission 'to be the leading provider of innovative and customized takaful solutions backed by strong financial and human resources' underlines the importance that we place on our people. Investing in their wellbeing and skills development and offering opportunities for progression within the company is key to attracting and retaining the talent that enables us to achieve our business objectives.

EMPLOYEE WELLBEING AND ENGAGEMENT

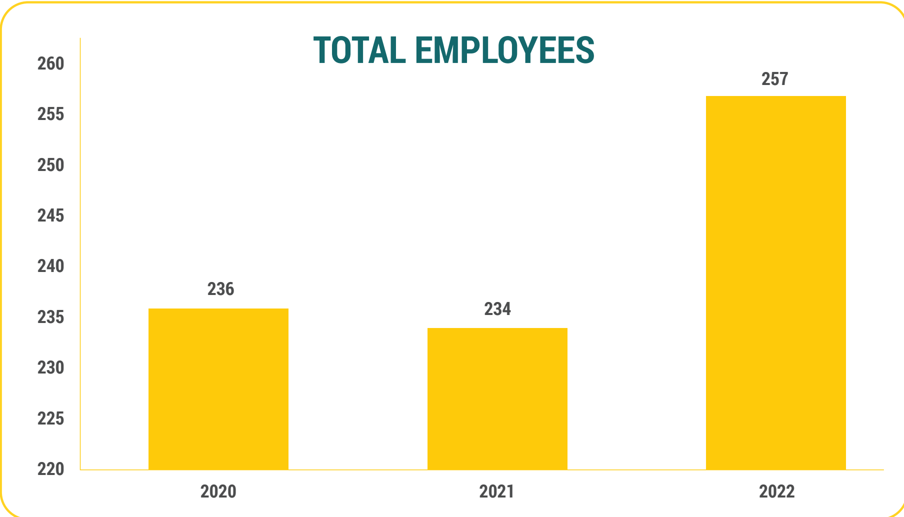
Employee engagement strategies can be highly effective at getting the best out of human resources and making them feel invested in the company. By empowering employees we can not only improve their performance but also reduce absenteeism and staff turnover rates, increase productivity, and build stronger customer relationships. Ultimately, these factors all filter through to our overall company performance.

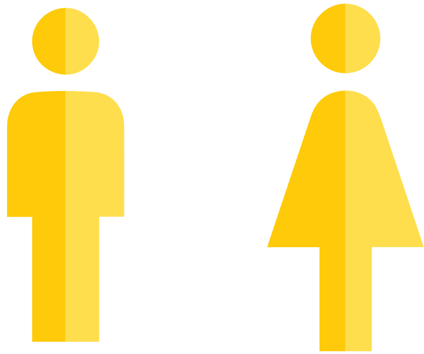
As part of our employee engagement strategy, SALAMA has used surveys to gauge employee satisfaction. These surveys have found the overall level of satisfaction across the workforce to be very high. They are a useful tool for us to understand what matters to them and how we can enhance our people-management processes and better cater to their needs in future.

SALAMA's employee engagement initiatives have allowed us to identify four pillars of employee wellbeing and thus areas for prioritization:

1. WORK-LIFE BALANCE
2. HEALTHY ENVIRONMENT BASED ON TEAMWORK
3. EMPLOYEE SKILL DEVELOPMENT
4. COMPETITIVE EMPLOYMENT PACKAGES

To further enhance employee engagement, we have further enhanced our HR portal which will offer a digital space for continuous two-way interaction between the company and its employees. The portal will consolidate all HR-related matters into one system and allow employees to access important information related to HR processes. It also includes a unique ticketing system that helps track employee requests.





70%

30%

20 Nationalities Represented

6% Female Representation in the Senior-to-Executive level

Total Employees		
Year	Female	Male
2020	30.93%	69.07%
2021	31.20%	68.80%
2022	29.96%	70.04%

ATTRACTING AND RETAINING EMPLOYEES

SALAMA has rigorous processes in place to ensure we hire the best talent available to support business growth. We have a clearly defined recruitment strategy, which we adapt to prevailing market conditions.

In 2022, SALAMA embarked on a recruitment drive, hiring a total of 78 new employees compared to 43 a year earlier, an increase of 81%. The overall headcount increased by 10% from 234 in 2021 to 257 at the end of 2022.

Female recruitment tripled year-on-year from nine in 2021 to 27 in 2022 and accounted for more than a third of all new hires last year.

Just over two thirds of all new recruits in 2022 were under 30 years of age compared to 35% in 2021 as the company looked to invest in youth.

Total New Hires, By Gender

YEAR	Female	Male	Female	Male
2020	15	35	20.55%	21.47%
2021	9	34	12.33%	21.12%
2022	27	51	35.06%	28.33%

Total New Hires, by Age Group*

YEAR	Below 30 years old	Between 30-50 years old	Over 50 years old	Below 30 years old	Between 30-50 years old	Over 50 years old
2020	4	44	2	20.00%	22.80%	8.70%
2021	10	28	5	35.71%	14.97%	26.32%
2022	21	53	4	67.74%	26.77%	14.29%

*The percentage calculation has been updated as per the new GRI Standards

SALAMA attracts and retains employees by offering competitive remuneration and benefits packages, including attractive salaries, and all benefits that employees are entitled to under UAE Labour Law, such as healthcare and parental leave. In addition, we offer further benefits such as life insurance, annual airfares, flexible work arrangements for working mothers, mobile allowance, and more.

Additionally, a brand-new, distinctive employee performance management system was created and put into place this year to make sure that operational goals were established that led to a professional, objective assessment of each employee's performance and competencies. The company has also updated its HR policy this year and added a comprehensive grievances procedure that promotes dispute resolution and employee satisfaction.

SALAMA conducts exit interviews with employees that leave the company, to understand the reasons behind the departure and analyzes the feedback to enhance our processes.

In 2022, a total of 55 employees left the company, slightly higher than 52 a year earlier. The turnover rate has remained more or less steady over the past three years, with a rate of 21.4% in 2022.

Total Employees that Left, By Gender

YEAR	Female	Male	Female	Male
2020	24	25	32.88%	15.34%
2021	14	38	19.18%	23.60%
2022	24	31	31.17%	17.22%

Total Employees that Left, by Age Group*

YEAR	Below 30 years old	Between 30-50 years old	Over 50 years old	Below 30 years old	Between 30-50 years old	Over 50 years old
2020	2	37	10	10.00%	19.17%	43.48%
2021	7	35	10	25.00%	18.72%	52.63%
2022	6	43	6	19.35%	21.72%	21.43%

*The percentage calculation has been updated as per the new GRI Standards

Turnover Rate

2020	20.76%
2021	22.22%
2022	21.40%

Total New Hires Rate

2020	21.19%
2021	18.38%
2022	30.35%

DIVERSITY & INCLUSION

SALAMA fosters an inclusive working environment, where every employee is valued and has the opportunity to achieve their potential and advance their career. Having a more diverse and inclusive workforce allows a company to tap into a deeper talent pool with a wide range of ideas, skills, and experiences. Diversity and inclusion can boost creativity, innovation and productivity within the workplace.

Our Human Resource Policy Manual and Code of Conduct cover the policies and procedures that govern workplace standards and expectations within the company. The manual prohibits discrimination based on gender, age, religion, nationality, ethnicity, and disability, or other characteristics.

SALAMA is proud to have a team comprising of nationals from more than 20 countries, up by 25% from 16 in 2021. Having a multinational, multilingual and multicultural team is all the more important in the UAE where people from overseas comprise around 90% of the population. This enables us to connect and communicate better with our diverse customer base.

Empowering women is also very important to SALAMA and we have maintained female representation across the workforce at around 30% for the past three years.

TOTAL EMPLOYEES BY JOB CATEGORY AND BY GENDER

Year	Entry-Level		Mid-Level		Senior-to-Executive Level	
	Male	Female	Male	Female	Male	Female
2020	64.34%	35.66%	66.20%	33.80%	88.89%	11.11%
2021	64.96%	35.04%	63.64%	36.36%	87.50%	12.50%
2022	66.19%	33.81%	65.85%	34.15%	94.44%	5.56%

TOTAL EMPLOYEES BY JOB CATEGORY AND BY AGE GROUP

Year	Entry-Level			Mid-Level			Senior-to-Executive Level		
	Below 30 years old	30-50 years old	Over 50 years old	Below 30 years old	30-50 years old	Over 50 years old	Below 30 years old	30-50 years old	Over 50 years old
2020	13.95%	82.17%	3.88%	2.82%	88.73%	8.45%	0.00%	66.67%	33.33%
2021	22.22%	72.65%	5.13%	2.60%	92.21%	5.19%	0.00%	77.50%	22.50%
2022	15.11%	76.26%	8.63%	10.98%	80.49%	8.54%	2.78%	72.22%	25.00%

Total Number of Nationalities

Year	Number of Nationalities
2020	15
2021	16
2022	20

WORKFORCE DEVELOPMENT

While it is vital to hire candidates that bring the knowledge and experience to the company, it is also critical to provide continuous training & development of all staff, especially those at the entry level. To remain competitive, workers must be kept up to date with advances in busines practices, technology, and regulation in order to provide optimal service to clients while also ensuring compliance.

SALAMA makes it a priority to provide continuous learning opportunities for all employees and has embedded this as part of our culture. Training is targeted and based on specific departmental needs and as part of our performance review process we also identify individuals needs for further development.

To ensure that our training & development needs are comprehensively met we have established an in-house portal as well as a network of partnerships with leading providers of industry training. The program covers everything, from industry certifications to teaching 'soft' skills.

SALAMA Academy Portal

EIBSF Training Management System

LOMA Learning System

Personalized Courses Based on Employee's Needs

SALAMA ACADEMY PORTAL

Our bespoke, in-house digital platform allows us deliver all internal training needs via e-learning. This covers technical and non-technical training, including all qualifications required by the relevant financial services authorities and Central Bank.

EIBSF TRAINING MANAGEMENT SYSTEM

Employees can build their industry knowledge and skills by taking a wide range of banking and finance courses thanks to our partnership with Emirates Institute for Banking and Financial Studies (EIBSF)

LOMA LEARNING SYSTEM

Through our partnership with LOMA, employees have access to a large selection of international training and certifications to equip them with the skills needed to improve job performance and achieve professional and personal development.

PERSONALIZED COURSES BASED ON EMPLOYEES' NEEDS

SALAMA also caters to the individual needs of its employees with bespoke training sessions. We provide employees with access to specific courses or certifications as required, with the approval of their managers.

In 2022, SALAMA accelerated the training provided to employees at all levels of the company. Our employees took a total of 3,745 training hours compared to 200 hours in 2021, a 19-fold increase. The biggest increase was at the mid-level where employees took 1,342 training hours compared to 32 a year earlier.

The increase was down to a combination of factors, including a rise in the overall number of workers, a full return to normal office hours following the pandemic, as well as a concerted training & development drive.

Total Training Hours by Gender

Year	Female	Male	Total
2020	56	208	264
2021	88	112	200
2022	1,198	2,547	3,745

Total Training Hours, by Job Category

YEAR	Entry-Level	Mid-Level	Senior-to-Executive Level
2020	72	152	40
2021	112	32	56
2022	2,012	1,341	419

2022 - 3,745 hours of training was conducted

32% of the training were attended by Females

SUPPORTING OUR CUSTOMERS

(GRI 417-2, GRI 417-3, GRI 418-1, G7)

SALAMA's unwavering commitment to delivering the highest standards of customer service has enabled us to build their loyalty and trust. Their satisfaction provides the foundation for our long-term stability and success and is the essence of our brand reputation.

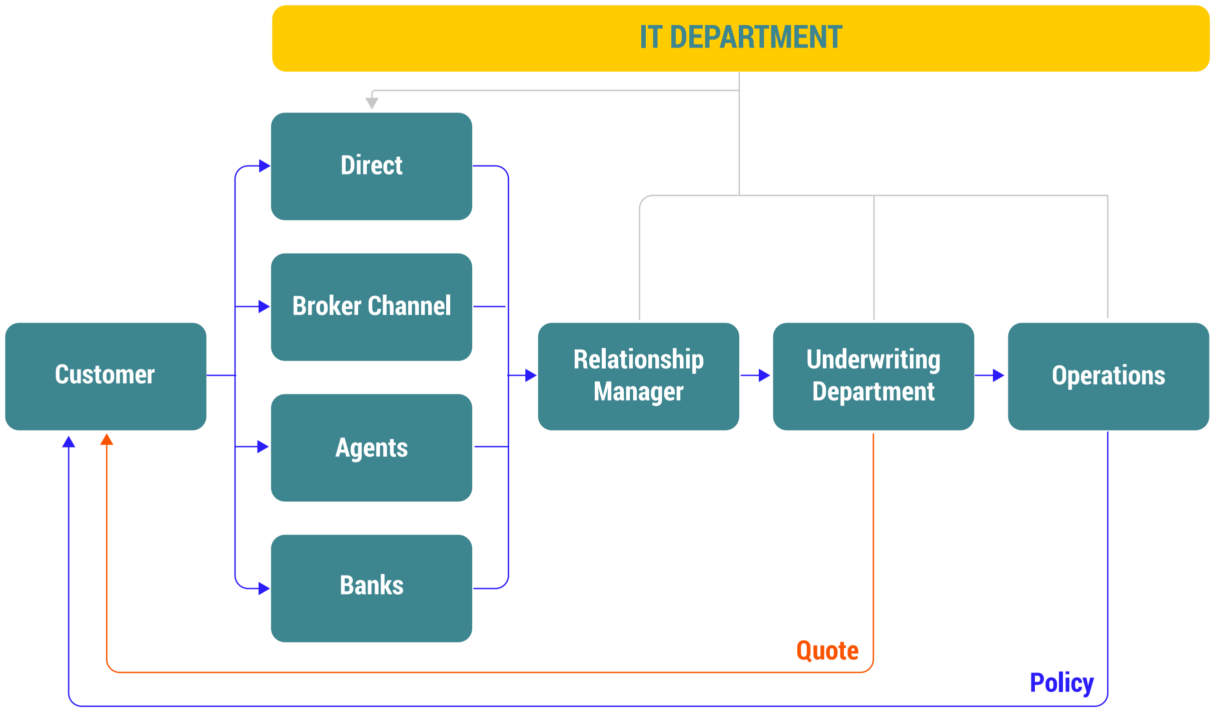
CUSTOMER SATISFACTION

The customer journey is designed to be as convenient and seamless as possible. From their first contact with us and through every stage of the process, we want the entire customer experience to be as easy to navigate as possible.

They can communicate with us through a variety of different channels, including face to face at any of our branches, our call centre, and digital channels including email, website, complaint portal, customer portal, social media, and Whatsapp.

CUSTOMER JOURNEY – ACQUISITION AND POLICY ISSUANCE

When it comes to issuing new policies, there is a clear, step-by-step process involving various departments and stakeholders to ensure customer needs are always met:



CUSTOMER JOURNEY – CLAIM PROCESSING

We are also dedicated to ensuring a fast and efficient claims process. Though the process differs slightly depending on the business line, the objective is to always to make life as easy as possible for the customer.

MOTOR CLAIMS

HEALTH CLAIMS

NON-MOTOR CLAIMS

LIFE CLAIMS

MOTOR CLAIMS:

- The process is done fully in-house. Customers can reach SALAMA via email or the contact centre
- Once the claim has been approved, the customer is given options for auto-repair services they can take their vehicle to

HEALTH CLAIMS:

- The service processed in full through SALAMA's international TPAs, including MedNet, Nas and Next Care

NON-MOTOR CLAIMS:

- Customers can contact SALAMA directly or through a broker. Once the claim is received, the process is initiated and the claim is settled. Should there be any need to contact the customer, a meeting will be scheduled

LIFE CLAIMS:

- Settled directly through banks

CUSTOMER JOURNEY – COMPLAINT HANDLING PROCESS

SALAMA has a dedicated team to manage customer complaints process from end to end. Customers can contact us in person at any of our branches or through our call centre, website, social media channels, or email.

SALAMA has strict procedures in place to ensure that all cases are handled and resolved quickly and efficiently.

We respond to the customer within one working day, either resolving the matter immediately or explaining that their complaint is under review and will be processed within seven working days, though we strive to resolve complaints as quickly as possible.

If support from other departments is needed, the Complaint Officer must follow-up with the relevant business units and receive a response within five working days.

Turnaround times are frozen if the case is marked as "On Hold" or "Pending with the Distributor" if additional information is required from other services. In such cases, the customer is informed of the delay and the case is escalated to Head of Operation.

Complaint Handling Procedure

If the customer is un-happy with any of the services received from SALAMA or if we have not met the Standards of this Charter

A complaint can be submitted through our online system(s) provided on our website (register a complaint), social media, email, contacting our call center or directky with our employees at any one of our offices.

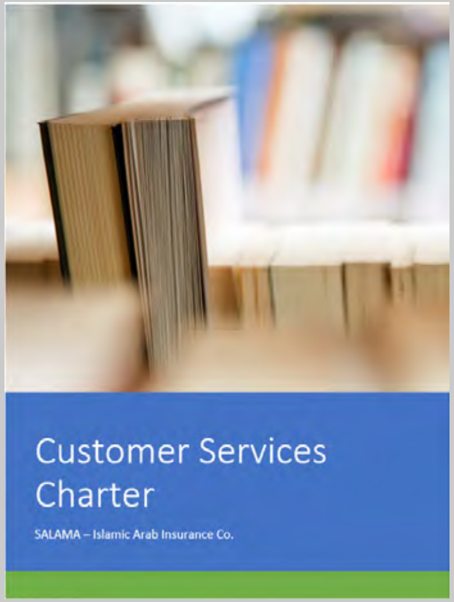
MORE

CBUAE - Customer Happiness Department

CBUAE is committed to providing high-quality service to ensure customer satisfaction and exceeds expectations. For any queries and information, customers can reach out to the CBUAE – Customer Happiness Department through

Call: 800(IAUAE)42823 or
Email: Customer.Service@iae.gov.ae

MORE



Our **Customer Services Charter** defines the quality standards that our employees are expected to deliver when dealing with customers and ensures that we strictly adhere to the standards set by the Insurance Authority.

The Charter is reviewed regularly and assessed for any gaps that need to be addressed.

SALAMA constantly reviews its product offering to ensure it meets the changing needs of customers.

We also take care to ensure that our products are always marketed ethically and responsibly, consistent with the principles of Shari'ah, and in compliance with applicable regulations.

MARKETING AND LABELLING

Incidents of non-compliance concerning product and service information and labelling	
Number of incidents of non-compliance with regulations resulting in a warning	ZERO
Number of incidents of non-compliance with voluntary codes	ZERO
Incidents of non-compliance concerning marketing communications	
Number of incidents of non-compliance with regulations resulting in a warning	ZERO
Number of incidents of non-compliance with voluntary codes	ZERO

INNOVATION AND DIGITALIZATION

Today's customers expect to be able to conduct their business online and at their convenience. They want simple, easy-to-understand products, and faster service, such as claims handling. Digitalization must therefore be a strategic priority for companies to meet customer expectations and remain competitive, or risk falling behind.

SALAMA carried out an extensive audit of our digital systems to better understand how we can enhance the customer experience and set priorities.

Our digital transformation plans can be divided into two main strands:

- **Priority 1: Optimize front-end portals and API portals** - Enhancing customer service by redeveloping our customer portals and touch points and integrating these with our core system. We also optimized the portals that deal with B2B partnerships and customers that are not end-users, such as banks and aggregators. We developed in-house Application Programming Interfaces (APIs) that support quicker response times.

- **Priority 2: Digitalize processes and services to enhance customer convenience and internal efficiency** - The second focus is to design channels that allow clients to go through the entire insurance process as seamlessly. An example of this is the "Insurance on Demand" project which will allow customers to interact with us via WhatsApp. In addition, we are continuously enhancing our internal processes to improve efficiency.

As part of our digital transformation journey, in 2022 we completed or initiated the following projects:

- Core System Upgrade
- Migration to Oracle Cloud
- Implemented WhatsApp customer service for selected products and Chat Support
- Began implementation of an Enterprise Content Management - Process for Motor Claims Workflow to reduce paper, save time and add operational efficiencies once implemented. ECM will be subsequently planned across other departments.
- Began implementation of an Information Classification Programme and Data Controls/ Data Leakage Protection

- Integration Project to align insurance data with the UAE Central Bank
- Managed Print Services - will consolidate print services, managed and monitored.
- Digital implementation of IFRS17 in coordination with Finance and Actuary departments

Looking further ahead, we plan to introduce the following initiatives:

- Enhancement of new General Takaful Core Solution
- Robotic Process Automation (RPA) implementation for claims department, with the objective of optimizing processes, customer service and reducing manual work
- CRM Solution
- AI Driven Data warehouses/Data Lakes

TAKAFUL INSURANCE ON DEMAND

- This new system will replace the existing app and allow customers to navigate their entire journey via WhatsApp.
- Based on our expertise and knowledge of the market and customers, this innovative solution will significantly enhance efficiency and user experience
- Instead of asking customers to download an additional application which they will only use sporadically, this system will allow customers to interact with us via an application they already have on their phone. In 2021, 80.2% of UAE residents used WhatsApp. By leveraging the ubiquity of the app, SALAMA will be able to offer a convenient and simple experience to their customers.
- SALAMA is the first insurance company in the region to implement such a project.
- We currently have the service enabled for two products, and we have additional plans to add new products and services in 2023.

DATA PRIVACY

The shift to digital business operations delivers many benefits and efficiencies but also raises data security and privacy risks. Companies need to protect themselves and their clients from cyber threats or the risk of loss or leakage of customer data.

Our good reputation depends on preventing such occurrences which is why having the necessary safeguards and IT systems in place is a top priority for SALAMA. We continuously strive to enhance our IT infrastructure and strengthen our team's capabilities to ensure we are up to date with the latest technologies and know-how.

Our IT department also has responsibility for ensuring we have the necessary systems in place to comply with any regulatory requirements. SALAMA is now aligning with SIA (The Signals Intelligence Agency, formerly known as National Electronic Security Authority – NESA) while we also comply with Abu Dhabi Healthcare Information and Cyber Security (ADHICS) standards and guidelines for the electronic exchange, sharing, and protection of health information under the Department of Health.

We have also been certified as PCI DSS compliant since 2022 and working aggressively to maintain the certification.

To ensure we comply with the above, we have various Information Security Policies covering: Access Control, Acceptable Use, Password Policy, Network Security Policy, Business Continuity, Information Classification, Vulnerability Management, Information Security, Operations Security and more.

In addition, we have signed off on the following new policies and enhancements to align with Information Security requirements:

- Data Security Policy
- Data Handling Guidelines
- Information Classification Policy - Major Update

Protection systems SALAMA has in place include:

- Enhanced Information Security Systems (anti-malware, two-factor authentication (2FA), Privileged Access Management (PAM), end point protection, enhanced firewalls, and Security Event and Incident Management (SEIM))
- Data Leakage Prevention (DLP) solutions
- Data Recovery Site

In addition, the IT department ensures that team members remain up to date on security-related topics through a training platform called KNOWbe4.

Thanks to our efforts to enhance IT security, we have received no complaints concerning breaches of customer privacy or loss of customer data.

CUSTOMER PRIVACY	
Substantiated complaints concerning breaches of customer privacy and losses of customer data	
Number of complaints received from outside parties and substantiated by the organization regarding breaches of customer privacy and losses of customer data	ZERO
Number of complaints from regulatory bodies regarding breaches of customer privacy and losses of customer data	ZERO
Number of identified leaks, thefts, or losses of customer data	ZERO

PROTECTING OUR ENVIRONMENT

(GRI 302-1, GRI 302-2, GRI 302-3, GRI 303-5, GRI 305-1, GRI 305-2, GRI 305-3, GRI 305-4, GRI 306-3, GRI 307-1, E1, E2, E3, E4, E5, E6, E7, E8. E9, E10)

Preserving the environment and, in particular, the addressing the threat of climate change, is now at the top of the global agenda. Responsible businesses must act to manage the risks and opportunities presented by environmental challenges if they are to create sustainable value for all stakeholders who are growing increasingly conscious of sustainability and factoring it into their decision-making.

The UAE government is taking the lead when it comes to environmental action, integrating sustainability into national strategies and launching initiatives to mobilise the private sector to support the transition to a cleaner economy. The country has pledged to become Net Zero by 2050 and is hosting the COP28 climate conference in November 2023. SALAMA is committed to aligning our operation with these efforts and believe that our role as an insurer will enable us to make a significant contribution.

INSURANCE SECTOR

Climate change is having a growing impact on the insurance sector and its products, services and operations. It is vital that SALAMA has a clear understanding of the risks and opportunities involved and takes appropriate action to integrate them into our business model if we are to maintain long-term profitability and creating sustainable shared value.

Insurance companies can support climate action in three main ways. The first is by providing solutions that help to protect individuals and businesses from the rising risks related to climate change impacts. Typically these would relate to the impact of severe weather events, which are becoming more frequent, and can result in damage to property and infrastructure that has a major impact on businesses and people's livelihoods. By underwriting the risk of these occurrences, insurers can support adaptation to the impacts of climate change and boost societal resilience.

Secondly, and on the other side of their balance sheet, as major investors insurance companies can support climate change mitigation efforts by adopting a responsible investment practices. This would involve prioritizing investments that can have a positive impact on the environment in one way or another, such as clean technologies.

Thirdly, we can address climate change by reducing our own emissions. While insurance, as a office based business is not particularly emissions intensive, all companies have a responsibility to manage emissions related to their own operations.

OUR APPROACH

SALAMA addresses environmental impact in our capacity as an insurer, investor, employer and in our local communities.

Our efforts focus on three pillars, which we believe will enable us to effectively reduce our environmental footprint and our exposure to climate risk:

OPERATIONS

INVESTMENTS

GOVERNANCE

- **OPERATIONS:**

This means looking at ways to limit the direct impact of our operations, by reducing energy and water consumption, waste production and emissions. We can do so by having a more sustainable office space, optimizing business processes, adopting technology solutions, enhancing procurement, and raising environmental awareness among our employees. This also involves adapting our customer offering with more innovative and sustainable solutions.

- **INVESTMENTS**:

This involves factoring environmental considerations into our investment decision-making as well as risk management processes. This would cover all investments including real estate which would help us to reduce our emissions reduction while supporting a shift towards clean buildings. As part of this we must engage with investee companies to develop their awareness of environmental factors and risks.

- **GOVERNANCE:**

SALAMA's management team is currently responsible for overseeing the company's environmental management and performance.

OUR CONTINUOUS PROGRESS

Improving our environmental footprint starts with monitoring and measuring our impact. Doing so is an essential step towards developing clear strategies to optimize our operations and improve our performance over time.

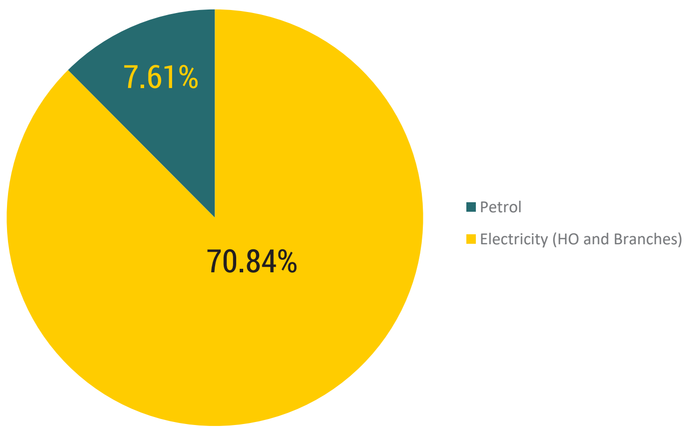
SALAMA calculates its GHG emissions using the GHG Protocol and setting the organizational boundary according to the 'operational control approach', meaning that we account for 100% of the GHG emissions from operations that we fully control. The computation includes elements of our Scope 3 emissions, specifically emissions related to water consumption and paper and tissue consumption.

Out total energy consumption in 2022 was in line with the previous year though energy intensity (consumption per employee) fell due to the year-on-year rise in headcount.

Energy Consumption	Scope	Unit	2020	2021	2022
Fuel from Owned Vehicles	Direct (Scope 1)	GJ	343.60	227.54	287.21
Electricity	Indirect (Scope 2)	GJ	1,335.00	1,418.55	1,366.14
Total Energy Consumption	**Direct & Indirect (Scopes 1 & 2)**	**GJ**	**1,678.60**	**1,646.09**	**1,653.35**

Energy Intensity in GJ per Employee	Scope	2020	2021	2022
Direct Energy – (Fuel)	Direct (Scope 1)	1.46	0.97	1.12
Indirect Energy – (Electricity)	Indirect (Scope 2)	5.66	6.06	5.32
Total Energy Intensity	**Direct & Indirect (Scopes 1 & 2)**	**7.11**	**7.03**	**6.43**

ENERGY MIX



GHG EMISSIONS

GHG Emissions (MT CO_2 e)	2020	2021	2022
Scope 1 (Fuel)	19.72	13.22	16.43
Scope 2 (Electricity)	149.38	158.56	152.83
Scope 3 (Water, Wastewater, Paper Consumption)	66.82	38.81	46.48
Total	**235.93**	**210.59**	**215.73**

WATER CONSUMPTION

Water Consumption in m^3	2020	2021	2022
Total Water Consumption	11.13	0.35	0.64
Water Consumption per Employee	0.04715	0.00147	0.00249

Note: the water data in 2021 does not include the consumption in Sharjah branch as the data was not readily available at the time of report issuance due to changing location. This explains the significant drop in 2021 consumption data reported.

A DIGITAL TRANSITION INTO A PAPERLESS ENVIRONMENT

SALAMA has largely transitioned to a paperless workplace thanks to the introduction of IT systems to improve document and workflow management processes. This digital transformation brings environmental as well as operational benefits and efficiencies.

OUR IMPACT

Number of eDocuments shared	Pages Saved
Annual Account statements	54,200
Missing contribution Notice	5,160
Missing contribution Notice -reminders	3,780
Renewal contribution Notice	3,960
Renewal contribution Notice-Remainders	1,680
Lapse Notice	1,080
Non-Alteration letters	1,200
Documents Emailed	20,230

A TOTAL OF 91,290 PAGES SAVED IN A YEAR, A SAVING OF 4.6% OF PAPER COMPARED WITH THE PREVIOUS YEAR, THIS IS EQUIVALENT TO:

	**11** TREES SAVED
	**36 GJ** of CO_2 SAVED
	**10,028** of KWs SAVED
	**427** KG OF SOLID WASTE SAVED

PROSPERITY & PERFORMANCE

(GRI 201-1, GRI 203-2, G7)

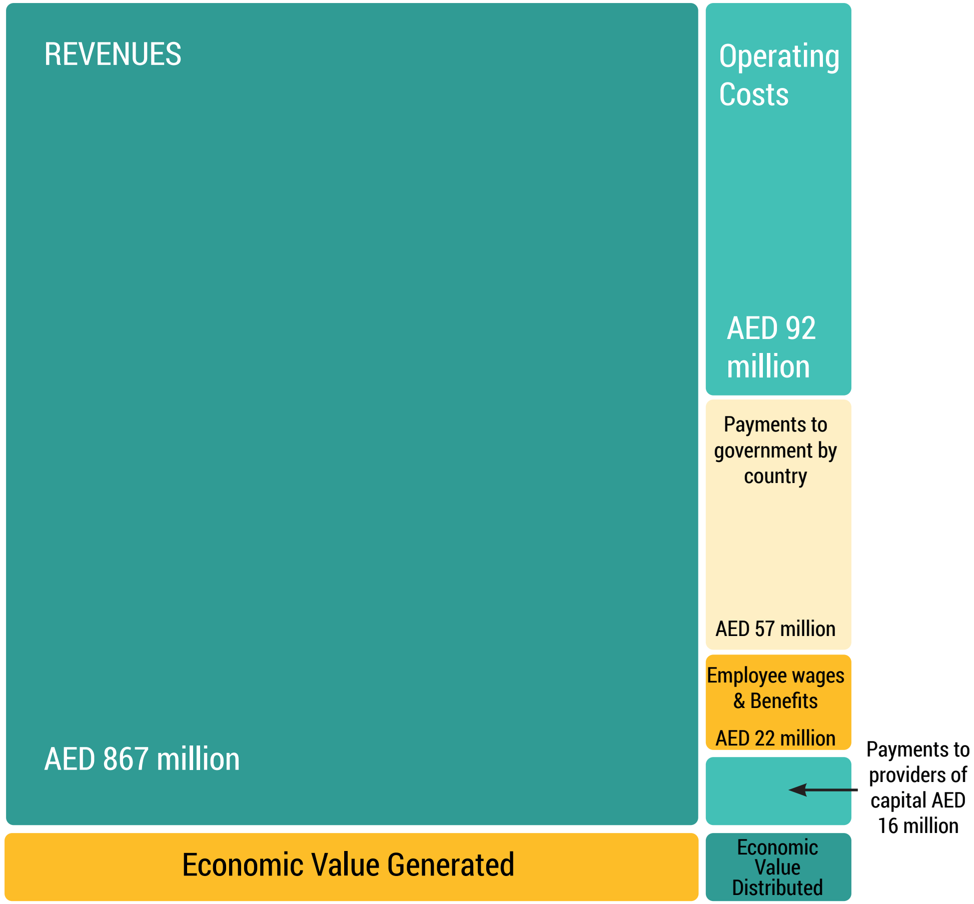
For more than 40 years, SALAMA has contributed to local and national economy and provided financial security for individuals and businesses, helping them to plan for the future through our progressive insurance policies. Our primary goal is to support clients with risk management, so they can focus on achieving their personal and business goals without having to worry about financial setbacks.

The economic fallout of COVID-19 highlights the importance of planning for unexpected events and how insurance companies can play a major role in keeping the economy on its feet.

We map our economic performance thoroughly and consistently as per the GRI Standards, which address the flow of capital towards our various stakeholders and assess the economic value we generate.

The chart below shows the value we generated in 2022:

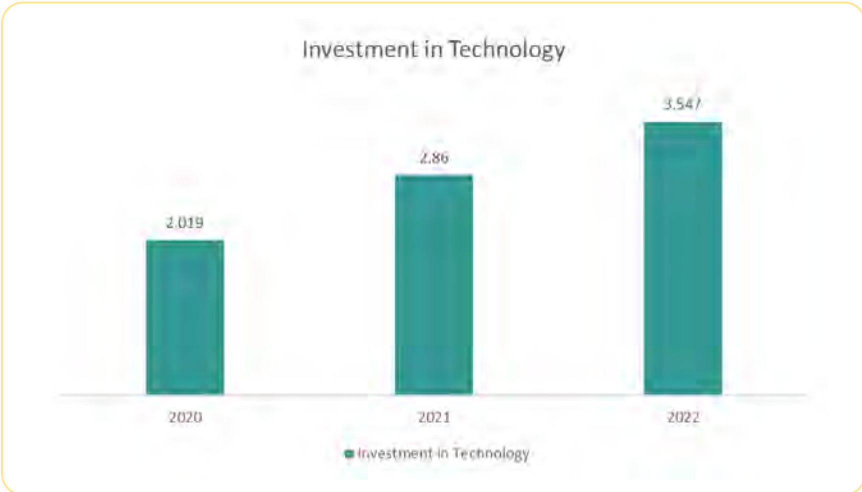
- The Direct Economic Value Generated (DEVG), which is equivalent to total Income: AED 867 million
- Direct Economic Value Distributed (DEVD) which is composed of operating costs, employee wages and benefits, payments to providers of capital, payments to government and community investments: AED 187 million.



SALAMA has identified a number of key priorities which will serve as a catalyst for further growth:

- **Diversification:** diversification is key to financial stability and growth and maintaining a competitive edge. Primarily, this means diversifying our product portfolio and investments while also assessing opportunities to move into new geographical markets. Our deep knowledge of the market and the latest trends enable us to innovate and introduce new products and solutions that meet changing customer needs and keep us a step ahead of our competitors.

- **Digital Transformation:** SALAMA is investing in new technology to optimize our operations and deliver faster, more efficient, and more affordable products and services. We are working systematically to digitize the entire customer journey from beginning to end. In 2022, we invested AED 3.57 million in new technology, a rise of 24% compared to the previous year and a 75% increase on 2020.



All numbers in AED Million

COMMUNITY SUPPORT

(GRI 413-1, S11, S12, G5)

Emiratization

SALAMA supports the government's drive to increase the number of UAE nationals workers in the private sector and we are proud to have achieved considerable success in recruiting Emirati talent recent years.

In 2022, we had a total of 28 UAE nationals compared to 20 in 2021, a year-on-year increase of 40%. Considering the overall increase in the headcount, our Emiratization rate reached 10.9% in 2022, up from 8.5% in 2021 and 6.8% in 2020, showing a steady increase.

We encourage fresh graduates to join our team and have a program that enables employees to combine studies in parallel with their work commitments. Our focus on recruiting youth means that 57% of UAE nationals employees are working at the entry level while just over half of Emirati employees are women.

Total Number of UAE Nationals

YEAR	Female		Male		Total	
	Number	%	Number	%	Number	Emiratization Rate
2020	11	69%	5	31%	16	6.8%
2021	11	55%	9	45%	20	8.5%
2022	15	54%	13	46%	28	10.9%

Rate of UAE Nationals

YEAR	Entry-Level	Mid-Level	Senior-to-Executive Level
2020	44%	50%	6%
2021	50%	30%	20%
2022	57%	25%	18%

As a leading Islamic financial institution in the UAE, it is SALAMA's duty to be a good corporate citizen and to integrate activities that give back to the local community and contribute to the wellbeing of society.

CSR and Community Investments

SALAMA supports the local community through sponsorships as well as by making regular donations to those in need. Although there was a slight drop in 2020 due to the pandemic, the budget has almost doubled over the past four years and SALAMA intends to maintain this momentum in the years ahead.

Participating Insurer Status

SALAMA's Participating Insurer (PI) Status, granted by Dubai Health Authority (DHA), allows the company to provide the Essential Benefits Plan to residents earning AED 4,000 or less per month. This status enables SALAMA to support the more vulnerable members of society, making insurance more affordable and inclusive.

Only insurance companies that can provide cover on a cost-effective basis, that can handle high-volume business, and can demonstrate operational effectiveness and high levels of customer service are considered for PI status.

OPERATING ETHICALLY & RESPONSIBLY

(GRI 2-9, GRI 2-10, GRI 2-11, GRI 2-15, GRI 2-16, GRI 2-17, GRI 2-18, GRI 2-19, GRI 2-20, GRI 2-21, GRI 2-23, GRI 2-24, GRI 2-25, GRI 2-26, GRI 2-27, GRI 205-1, GRI 205-2, GRI 205-3, S1, S9, S10, G1, G2, G3, G6)

As an Islamic financial institution, responsible and ethical business practices are embedded in SALAMA's DNA. We are fully aligned with Shari'ah principles of transparency, accountability, trust, integrity, and honesty.

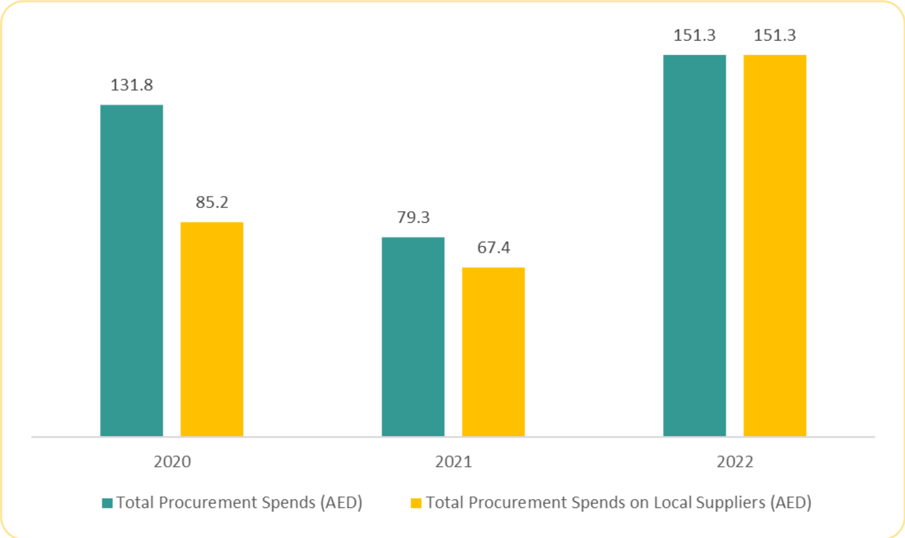
These values provide the basis for a robust corporate governance framework. Furthermore, we have all necessary structures, policies, and procedures to ensure we are aligned with global best practices when it comes to governance.

This provides the basis for us to set and maintain a successful strategic course for the company and create inclusive and sustainable value for all stakeholders.

Sustainable Procurement

SALAMA contributes to economic development by prioritizing local suppliers and vendors. Local procurement supports local businesses, strengthens supply chains and also has environmental benefits in the form of emissions reductions.

We created a thorough procurement policy in 2022, and as a result, local suppliers received 100% of the procurement budget spent on them.



All numbers are in AED'000

ETHICAL GOVERNANCE

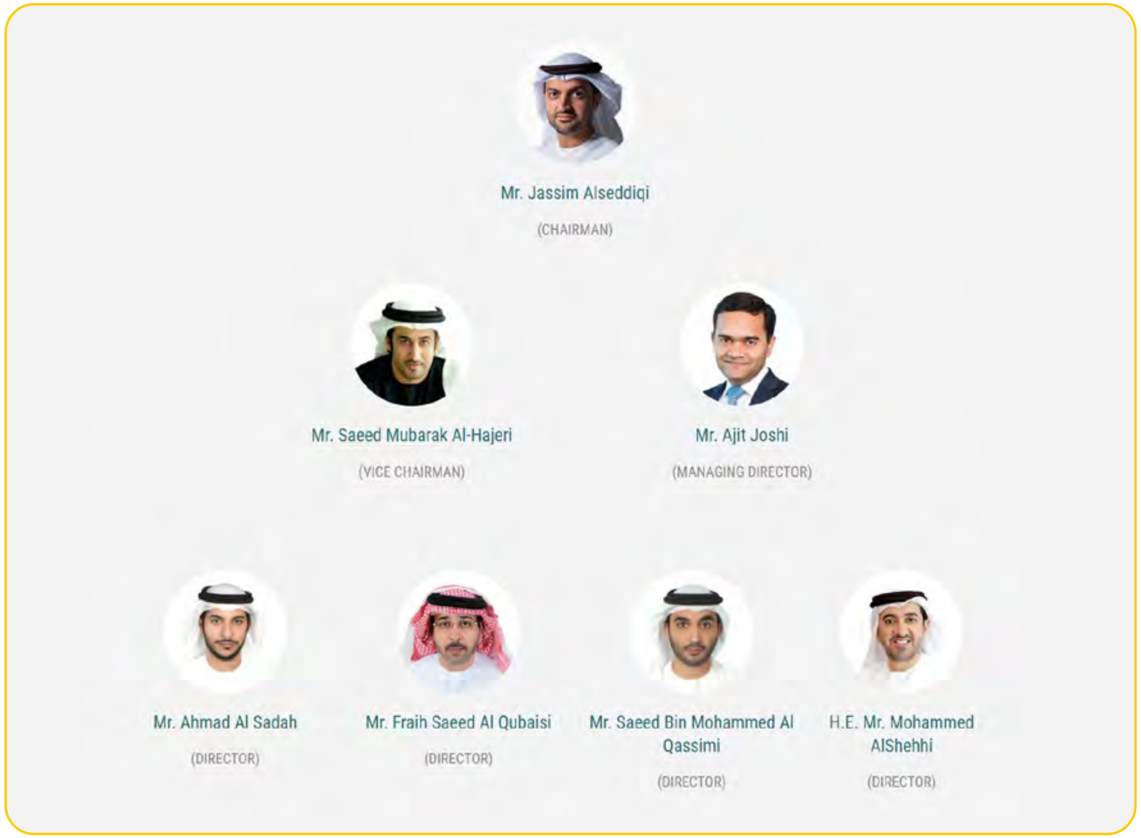
GOVERNANCE STRUCTURE

1. BOARD OF DIRECTORS

SALAMA's Board of Directors is comprised of seven members, all of which are prominent, reputable individuals within the business community.

Six Board Members are independent, and one is non-independent while none of the Board members are in executive roles at SALAMA.

The Board is responsible for setting SALAMA's strategic direction and ensuring the executive team implements the strategy under its guidance.



Diversity of Governance Bodies			
All members of the Board of Directors and Board Committees are Male			
	2020	2021	2022
Total members on the Board	7	7	7
BOD members under the age of 30	0	0	0
BOD members between the ages of 30 and 50	7	6	5
Board Members Above 50 years of age	0	1	2

2. GOVERNANCE COMMITTEES

The Board has established the following Committees to help guide decision-making in specific, strategic areas of the business.

- Board Risk Committee
- Nomination & Remuneration Committee
- Investment Committee
- Technology Committee
- Shari'ah Supervision Committee (SSC): Comprised of scholars specialized in Islamic financial transactions, this Committee independently supervises transactions, activities, and products of the company and ensures they are compliant with Shari'ah in all its objectives, activities, operations, and code of conduct.

SSC members are:

S. No.	Name	Capacity
1.	Dr. Mohd Bakr	Chairman
2.	Dr. Amin Fateh	Member
3.	Dr. Mohammad Qattan	Member

RISK MANAGEMENT

As a provider of Islamic insurance services, risk management is integral to our business culture and SALAMA has a robust framework and policies in place to assess and manage risk at all levels of the business.
Our risk management framework addresses both material financial and non-financial risks and covers all business operations and departments.
The framework is based on the following premises:

- Effective risk management about complying with regulations and legislation and doing what is right for stakeholders.
- It extends beyond the Board to include elements of internal controls, ethics, various risk functions, policies

and procedures, internal audit, and external audit.

- It requires transparency of disclosure, effective communication, and proper controls and accountability as essential elements for good governance.

Our risk management policy provides a systematic approach to identifying, assessing, managing, and communicating risks across all activities, functions or processes. The policy is regularly reviewed and revised to include any new risks that may emerge.

ETHICS AND COMPLIANCE

SALAMA has engrained a culture of ethics and integrity throughout the organization. Our Code of Business Conduct defines the standards of business conduct, honesty, and integrity that we expect from every employee.
Compliance with all applicable rules and regulations is critical for our business and our reputation and we have all necessary policies and procedures in place to ensure there are no lapses.
SALAMA is subject to UAE law and governed by the Central Bank, Dubai Financial Market, and Securities and Commodities Authority (SCA). In addition, we are guided and evaluated by the Institute of Internal Auditors (IIA).

We have made it our top priority to ensure we comply with Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) rules and provide all employees with annual training.

We have strict controls in place to screen new clients and all transactions to ensure compliance. This includes background checks before onboarding new clients and additional checks at the time of surrenders and partial withdrawals.

Politically exposed individuals and high net worth clients are screened daily using 'World Check One', a software recommended by the UAE branch of the Middle East and North Africa Financial Action Task Force (MENAFATF). Due diligence and screening processes are further enhanced using sanctioned lists provided by the Financial Intelligence Unit (FIU) and other relevant bodies.

The following new policies and guidelines were published this year to support ethics and compliance measures:

- Customer Due Diligence (CDD) Measures Policy
- Anti-Money Laundering, Sanctions & Countering of Terrorist Financing Policy Statement
- SALAMA Financial Crime Compliance Program
- Sanctions Policy

INTERNAL AUDIT

The Internal Audit unit provides independent assurance that the organization's risk management, governance and internal control processes are operating effectively. The Internal Audit Charter and Internal Audit Plan define the roles, responsibilities, and strategy of the Internal Audit department.

Our internal control system is continuously reviewed to enhance its effectiveness. Processes are enhanced by IDEAGEN PENTANA, a software system that integrates all subsidiaries and departments to improve efficiency.

SALAMA also has in place a fraud prevention framework, which includes a scheme that identifies specific fraud scenarios, to detect and prevent fraud violations. In 2022, there were no incidents of corruption or fraud at SALAMA or any of its subsidiaries.

GRI & DFM INDEX ALIGNMENT

GRI 1: FOUNDATION 2021				
GRI DISCLOSURE	SALAMA Insurance has reported the information cited in this GRI content index for the period 1 January – 31 December 2022 in accordance with the GRI Standards			
GRI 2: GENERAL DISCLOSURES				
GRI DISCLOSURE	**CONTENT**	**DFM DISCLOSURE**	**REFERENCE PAGE**	**NOTES**
The Organization and its Reporting Practice				
2-1	Organizational details	G8: Sustainability reporting G9: Disclosure Practices G10: External Assurance	1, 3	
2-2	Entities included in the organization's sustainability reporting	G8: Sustainability reporting G9: Disclosure Practices	1	
2-3	Reporting period, frequency and contact point		1	
2-4	Restatements of information	G10: External Assurance	1	
2-5	External assurance		1	
Activities and workers				
2-6	Activities, value chain and other business relationships		3	
2-7	Employees	S3: Employee Turnover S4: Gender Diversity	5	
2-8	Workers who are not employees		5	
Governance				
2-9	Governance structure and composition	G1: Board Diversity	10	
2-10	Nomination and selection of the highest governance body	G2: Board Independence	10	
2-11	Chair of the highest governance body		10	
2-12	Role of the highest governance body in overseeing the management of impacts		10	

2-13	Delegation of responsibility for managing impacts			
2-14	Role of the highest governance body in sustainability reporting	G3: Incentivized Pay	10	
2-15	Conflicts of interest	G7: Ethics & Anti-Corruption	10	
2-16	Communication of critical concerns		10	
2-17	Collective knowledge of the highest governance body		10	
2-18	Evaluation of the performance of the highest governance body		10	
2-19	Remuneration policies	G3: Incentivized Pay S1: CEO Pay Ratio S2: Gender Pay Ratio	10	
2-20	Process to determine remuneration	S2: Gender Pay Ratio	10	
2-21	Annual total compensation ratio	G3: Incentivized Pay S1: CEO Pay Ratio S2: Gender Pay Ratio	10	
Strategy, policies and practices				
2-22	Statement on sustainable development strategy	E8, E9: Environmental Oversight	4	
2-23	Policy commitments		4	
2-24	Embedding policy commitments		4	
2-25	Processes to remediate negative impacts	G3: Incentivised Pay	4	
2-26	Mechanisms for seeking advice and raising concerns		4	
2-27	Compliance with laws and regulations		4	
2-28	Membership associations	S1: CEO Pay Ratio	4	
Stakeholder engagement				
2-29	Approach to stakeholder engagement		4	
2-30	Collective bargaining agreements		4,5	

GRI 3: MATERIAL TOPICS				
GRI DISCLOSURE	**CONTENT**	**DFM DISCLOSURE**	**REFERENCE PAGE**	**NOTES**
The Organization and its Reporting Practice				
3-1	Process to determine material topics		4	
3-2	List of material topics		4	
3-3	Management of material topics		4	
GRI 200: Economic Standard Series				
GRI 201: Economic Performance 2016				
GRI 201 Topic Specific				
3-3	Management Approach		8	
201-1	Direct economic value generated and distributed		8	
GRI 202: Market Presence 2016				
GRI 202 Topic Specific				
3-3	Management Approach		3	
202-2	Proportion of senior management hired from the local community	S11: Nationalisation	3	
GRI 203: Indirect Economic Impacts 2016				
GRI 203 Topic Specific				
3-3	Management Approach		8,9	
203-2	Significant indirect economic impacts		8,9	
GRI 205: Anti-Corruption 2016				
GRI 205 Topic Specific				
3-3	Management Approach		6,10	
205-1	Operations assessed for risks related to corruption		6,10	Practice still under development

205-2	Communication and training about anti-corruption policies and procedures		6,10	Practice still under development
205-3	Confirmed incidents of corruption and actions taken	G6: Ethics & Prevention of Corruption	6,10	
GRI 300: Environmental Standard Series				
GRI 302: Energy 2016				
GRI 302 Topic Specific				
3-3	Management Approach	E10: Climate Risk Mitigation	7	
302-1	Energy consumption within the organization	E3: Energy Usage	7	
302-2	Energy consumption outside of the organization	E4: Energy Intensity E5: Energy Mix	7	
302-3	Energy Intensity	E4: Energy Intensity E5: Energy Mix	7	
GRI 303: Water and Effluents 2018				
GRI 303 Topic Specific				
3-3	Management Approach		7	
303-5	Water Consumption	E6: Water Usage	7	
GRI 305: Emissions 2016				
GRI 305 Topic Specific				
3-3	Management Approach	E8 & E9: Environmental Oversight	7	
305-1	Direct (Scope 1) GHG emissions	E1: GHG Emissions	7	
305-2	Energy indirect (Scope 2) GHG emissions	E1: GHG Emissions	7	
305-3	Other indirect (Scope 3) GHG emissions	E1: GHG Emissions	7	
305-4	GHG emissions intensity	E1: GHG Emissions E2: Emissions Intensity	7	

GRI 307: Environmental Compliance 2020				
GRI 306 Topic Specific				
3-3	Management Approach		10	
307-1	Non-compliance with environmental laws and regulations	E7: Environmental Operations	10	
GRI 400: Social Standard Series				
GRI 401: Employment 2016				
GRI 401 Topic Specific				
3-3	Management Approach		5	
401-1	New employee hires and employee turnover	S3: Employee Turnover	5	
401-2	Benefits provided to full-time employees that are not provided to part-time employees		5	
GRI 404: Training & Education 2016				
GRI 404 Topic Specific				
3-3	Management Approach		5	
404-1	Average hours of training per year per employee		5	
404-2	Programs for upgrading employee skills and transition assistance programs		5	
404-3	Percentage of employees receiving regular performance and career development reviews		5	
GRI 405: Diversity and Equal Opportunity 2016				
GRI 405 Topic Specific				
3-3	Management Approach		5	
405-1	Diversity of governance bodies and employees	S4: Gender Diversity	5	
		S6: Non-Discrimination	5	
		S11: Nationalisation	5	
		G1: Board Diversity	5	
405-2	Median Compensation			

GRI 406: Non-Discrimination 2016				
GRI 406 Topic Specific				
3-3	Management Approach			
406-1	Incidents of discrimination and corrective actions taken	S6: Non-discrimination	5	
GRI 413: Local Community 2016				
GRI 413 Topic Specific				
3-3	Management Approach		9	
413-1	Operations with local community engagement, impact assessments,	S11: Nationalisation S12: Community Investment	9	
GRI 417: Marketing and Labelling 2016				
GRI 418 Topic Specific				
3-3	Management Approach		6	
417-2	Incidents of non-compliance concerning product and service information and labelling		6	
417-3	Incidents of non-compliance concerning marketing communications		6	
GRI 418: Customer Privacy				
GRI 418 Topic Specific				
3-3	Management Approach		6	
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	G7: Data Privacy	6	

سلامة
SALAMA

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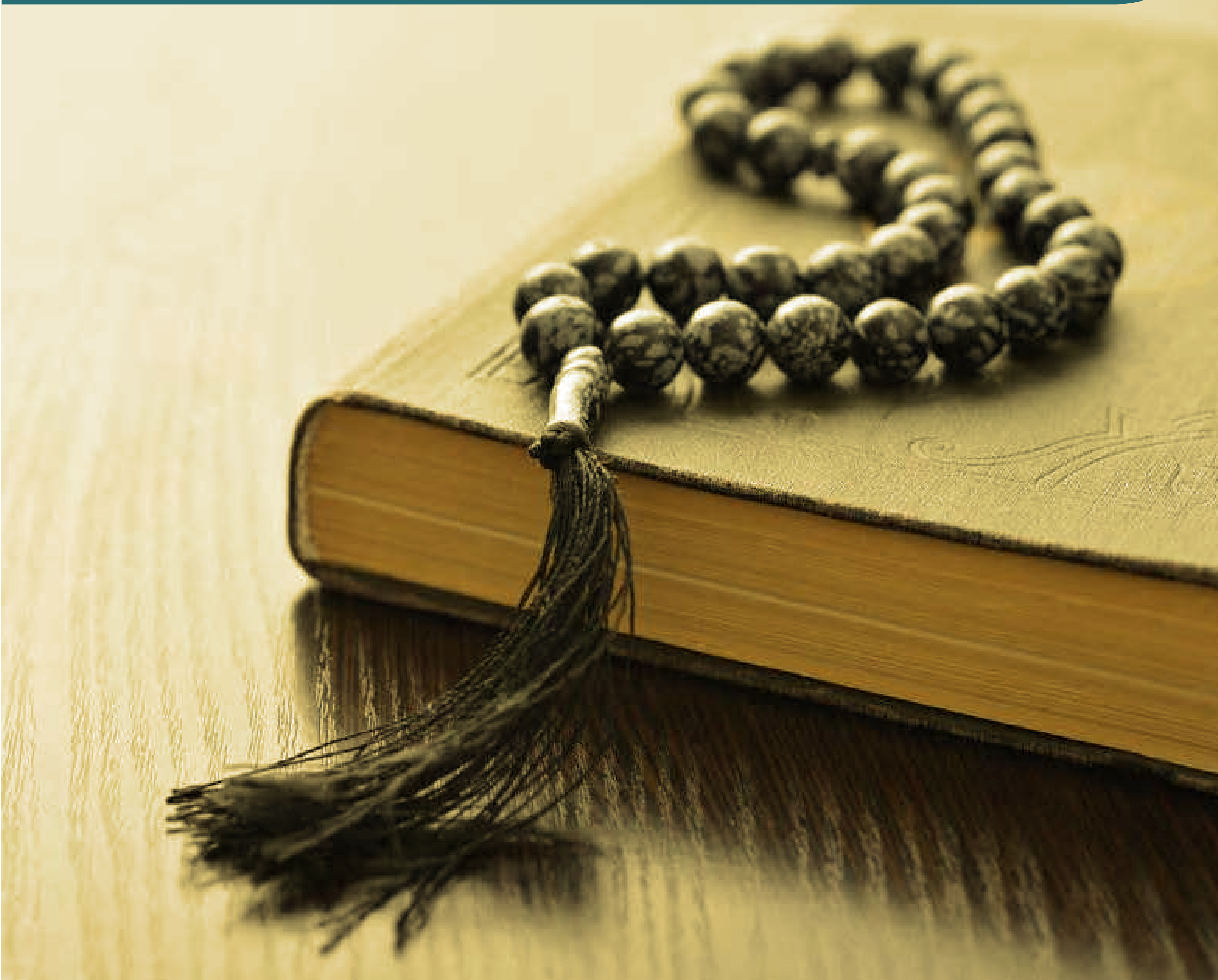
SALAMA

Shari'a Supervisory Committee report

SALAMA – Islamic Arab Insurance Company (P.S.C)



Shari'ah Supervisory Committee of Islamic Arab Insurance Company (SALAMA) P.S.C

Annual Report of the Shari'ah Supervisory Committee of Islamic Arab Insurance Company (SALAMA) For the financial year ending on 31 December 2022 ("Financial Year").

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Shari'ah Supervisory Committee of Islamic Arab Insurance Company (SALAMA) P.S.C

In the Name of ALLAH, The Most Beneficent, The Most Merciful

Annual Report of the Internal Shari'ah Supervisory Committee of the Islamic Arab Insurance Company - SALAMA (PSC) (the Company) for the financial year ended December 31, 2022

Issued on: 23 March 2023
to: Shareholders of **Islamic Arab Insurance Company - SALAMA (PSC) (the Company)**

Assalam Alaikum Wa Rahmat ALLAH Wa Barakatuh

Pursuant to requirements stipulated in the Takaful insurance Regulation ("the Regulatory Requirements"), the Internal Shari'ah Supervision Committee (ISSC) of the company presents to you the SSC's Annual Report of the company for the financial year ending on 31 December 2022 ("Financial Year").

1. Responsibility of the ISSC

In accordance with the Regulatory Requirements and the ISSC's charter, the ISSC's

responsibility is stipulated as to:

a. Undertake Shari'ah supervision of all businesses, activities, products, services, contracts, documents, and business charters of the Company; and the Company's policies, accounting standards, operations and activities in general, memorandum of association, charter, financial statements, allocation of expenditures and costs, and distribution of profits between participants' accounts and shareholders' accounts ("Company's Activities") and issue Shari'ah resolutions in this regard, and

Shari'ah Supervisory Committee of Islamic Arab Insurance Company (SALAMA) P.S.C

b. Determine Shari'ah parameters necessary for the Company's Activities, and the Company's compliance with Islamic Shari'ah Provisions within the framework of the rules, principles, and standards set by the Higher Shari'ah Authority ("HSA") to ascertain compliance of the Company with Islamic Shari'ah Provisions.

The senior management is responsible for compliance of the Company with Islamic Shari'ah Provisions in accordance with the HSA's resolutions, fatwas, and opinions, and the ISSC's resolutions within the framework of the rules, principles, and standards set by the HSA ("Compliance with Islamic Shari'ah Provisions") in all Company's Activities, and the Board bears the ultimate responsibility in this regard.

2. Shari'ah Standards

The ISSC shall comply with the Shari'ah standards that issued and approved by the HSA.

3. Duties Fulfilled by the ISSC During the Financial Year

The SSC conducted Shari'ah supervision of the Company's Activities by reviewing those Activities, and monitoring them through the external Shari'ah audit, in accordance with the SSC's authorities and responsibilities, and pursuant to the Regulatory Requirements in this regard. The SSC's activities included the following:

a. Conducting two meetings during the year.
b. Issuing fatwas, resolutions and opinions on matters presented to the ISSC in relation to the Company's Activities.
c. Monitoring compliance of policies, procedures, accounting standards, operating model and product structures, contracts, documentation, business charters, and other documentation submitted by the Company to the ISSC for approval.

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d. Ascertaining the level of compliance in segregation of expenditures and costs, and distribution of profits between Takaful Insurance accounts and shareholders accounts with parameters set by the ISSC.

e. Reviewing the investment policy and approving the Shari'ah screening criteria to ensure the investment activities in both shareholders' accounts and participants' accounts, are comply with the Provisions of Islamic Shari'ah.

f. Supervision through the external Shari'ah audit, of the Company's Activities including supervision of executed transactions and adopted procedures based on samples selected from executed transactions, and reviewing reports submitted in this regard.

g. Providing guidance to relevant parties in the Company – to rectify (where possible) incidents cited in the reports prepared by external Shari'ah audit – and issuing of resolutions to set aside revenue derived from transactions in which non-compliances were identified for such revenue to be disposed towards charitable purposes.

h. Approving corrective and preventive measures related to identified incidents to preclude their reoccurrence in the future.

i. Communicating with the Board and its subcommittees, and the senior management of the Company (as needed) concerning the Company's compliance with Islamic Shari'ah Provisions.

j. The Committee responded to questions and inquiries received from the various departments of the Company and issued the appropriate decisions and fatwas, which were circulated to work with, and directed various departments to adhere to the provisions of Shari'ah and implement the decisions of the Committee.

k. The Committee reviewed the basic Shariah rules for the company's operations, and all the company's transactions, the Takaful insurance products, and documents which the company deals with fundamentals and the contracts for transactions and applications on which the business was based during the year for the purpose of forming an opinion about compliance by the Company with the Provisions and Principles of Shari'ah law in the light of specific fatwas,

Shari'ah Supervisory Committee of Islamic Arab Insurance Company (SALAMA) P.S.C

decisions, and guidelines issued by us. and approve the same before placing same into practical use.

l. The Committee has obtained the necessary data and information it has requested to enable it to exercise the duty of Supervision and Shari'ah audit.

m. Our review which included examination, was conducted based on testing each type of transaction, related documents and procedures adopted by SALAMA.

n. Our review has been planned and implemented with all the information and clarifications which we considered necessary to provide us with sufficient evidence to give reasonable assurance the Committee that the Company has not violated Provisions and Principles of Islamic Shari'ah.

The ISSC sought to obtain all information and interpretations deemed necessary to reach a reasonable degree of certainty that the Company is compliant with Islamic Shari'ah Provisions.

4. Independence of the ISSC

The ISSC acknowledges that it has carried out all its duties independently and with the support and cooperation of the senior management and the Board of the company. The SSC received the required assistance to access all documents and data, and to discuss all amendments and Shari'ah requirements.

5. The SSC's Opinion on the Shari'ah Compliance Status of the company

Ascertaining compliance with Islamic Shari'ah, the SSC has concluded with a reasonable level of confidence, in the following:

a) Company's Activities are in compliance with Islamic Shari'ah, except for what was noted regarding issues related to statutory requirements in some countries (related to government bonds), as highlighted in the relevant reports. The ISSC also provided directions to take appropriate measures in this regard.

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Shari'ah Supervisory Committee of Islamic Arab Insurance Company (SALAMA) P.S.C

b) The contracts, transactions and deals concluded by SALAMA during the year ended 31 December 2022, which we have reviewed, are in compliance with the Provisions and Principles of Islamic Shari'ah.

c) The allocation of profit and of losses related to investment accounts are consistent with the basis adopted by us in accordance with the Provisions and Principles of Islamic Shari'ah.

The SSC formed its opinion, as outlined above, exclusively based on information perused by the ISSC during the financial year.

We beg ALLAH the Almighty to grant us all the success and straight-forwardness.

Signatures of members of the Shari'ah Supervision Committee of the company

Dr. Mohd Daud Bakar
Chairman

Dr. Mohammad Amin Qattan
Member

Dr. Amin Fateh
Member

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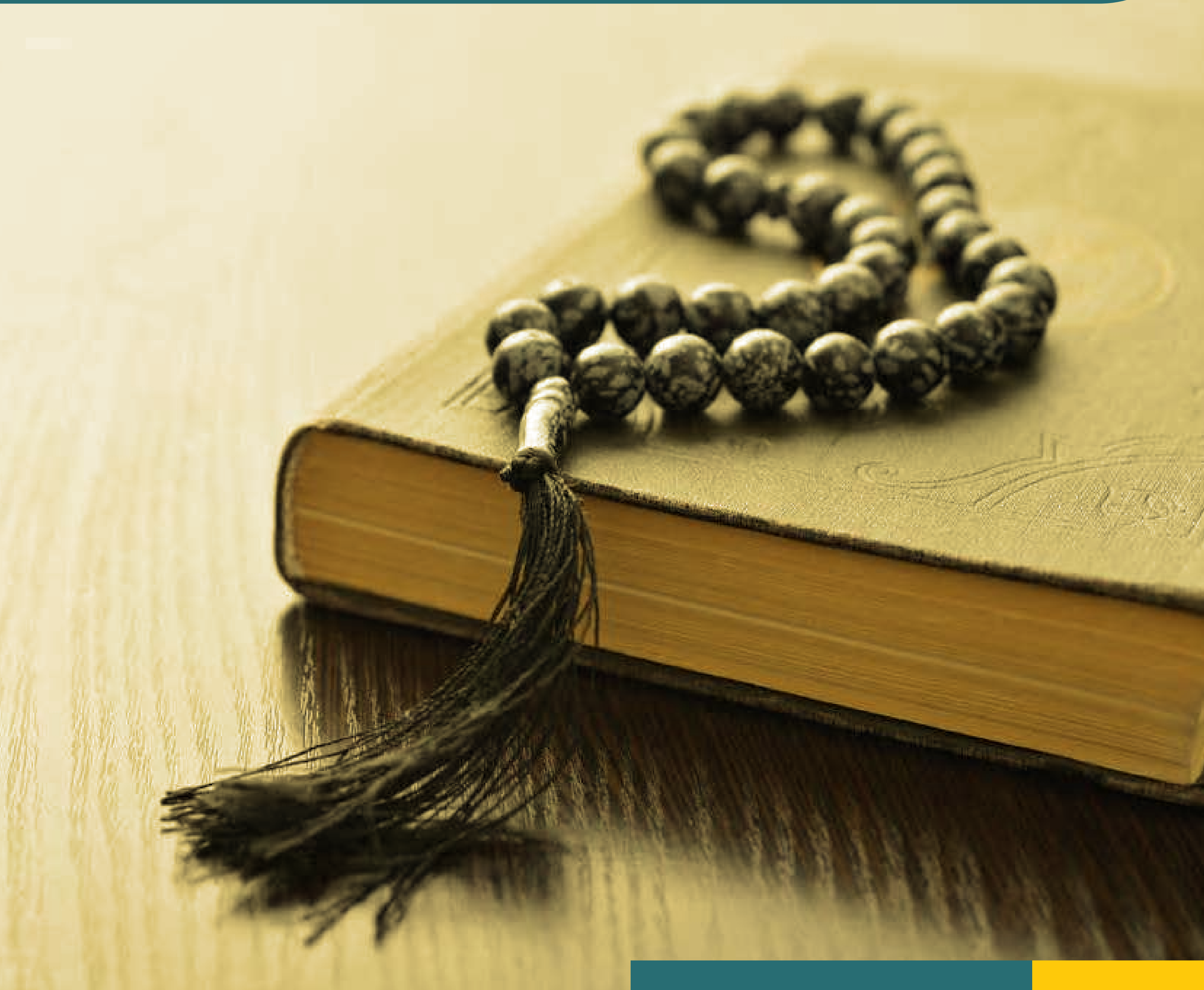

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