

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

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

**FOR THE NINE MONTH PERIOD ENDED
30 SEPTEMBER 2021 (UNAUDITED)**

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

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

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of Islamic Arab Insurance Co. (Salama) PSJC (the “Company”) and its subsidiaries (the “Group”), which comprise the interim consolidated statement of financial position as at 30 September 2021 and the related interim consolidated statements of income and comprehensive income for the three-month and nine-month periods then ended, and the related interim statements of cash flows and changes in equity for the nine-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

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

Basis for Qualified Conclusion

The Group’s total assets include investment properties with a carrying amount of AED 138,268 thousand, investments which are carried at AED 593,505 thousand, other assets and receivables which are carried at AED 273,794 thousand, and restricted bank balances which are carried at AED 277,390 thousand. The aforementioned assets include:

- Investment property with a carrying amount of AED 84,957 thousand (note 6);
- Islamic placement investments of AED 45,889 thousand, available-for-sale investments of AED 58,244 thousand and held to maturity investments of AED 65,738 thousand (note 8);
- Other receivables with a carrying amount of AED 33,639 thousand (note 19); and
- Restricted bank balances with a carrying amount of AED 277,390 thousand (note 18).

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

Furthermore, as a result of the Precautionary Attachment Order (note 20) in connection with the ongoing litigations as described above, the Group’s bank accounts totaling AED 277,390 thousand (note 18) has been attached as at 30 Sep 2021, and a further AED 607 thousand had been attached subsequently. The Group is currently in the process of defending this ongoing litigation and the proceedings have not yet been concluded. We were unable to satisfy ourselves with regard to the final outcome of this proceeding and the potential impact on the recoverability of these restricted bank balances.

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

Basis for Qualified Conclusion (continued)

This matter is described in notes 18, 19 and 20 to the condensed consolidated interim financial statements. Had we been able to complete our review of the aforementioned investment property, investments, other receivables and restricted bank balances, matters might have come to our attention indicating that adjustments might be necessary to the condensed consolidated interim financial information.

Qualified Conclusion

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

Other Matters

The interim consolidated condensed financial statements of the Group as of 30 September 2020 were reviewed by another auditor whose report dated 12 November 2020 expressed a qualified conclusion on those interim consolidated condensed financial statements with regard to the matter described above. Also, the consolidated financial statements as of 31 December 2020 were audited by another auditor whose report dated 11 March 2021 expressed a qualified opinion on those consolidated financial statements with regard to the same matter.

For Ernst & Young



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

14 November 2021

Dubai, United Arab Emirates

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021 (unaudited)

	<i>Notes</i>	<i>30 September 2021 (unaudited) AED'000</i>	<i>31 December 2020 (audited) AED'000</i>
ASSETS			
Property and equipment		36,966	39,548
Goodwill and intangibles		115,523	115,237
Investment properties	6	138,268	139,534
Right of use assets		5,312	8,034
Investment in associates	7	34,407	32,932
Deposits		226,036	202,828
Investments	8	593,505	676,596
Participants' investments in unit-linked contracts	8.1	2,391,935	2,228,346
Deposits with takaful and retakaful companies		2,414	2,406
Contributions and takaful balance receivables		243,787	207,776
Retakafuls' share of outstanding claims		252,353	214,940
Retakafuls' share of unearned contribution		172,456	172,006
Other assets and receivables	19	273,794	375,540
Restricted bank balances	18	277,390	-
Bank balances and cash	18	98,610	91,950
TOTAL ASSETS		4,862,756	4,507,673
Liabilities and policyholders' fund			
Outstanding claims and family takaful reserve		566,737	558,598
Payable to participants for unit-linked contracts		2,390,147	2,224,849
Unearned contribution reserve		377,312	323,040
Short term borrowings	21	43,750	-
Takaful balances payable		213,189	163,830
Other payables and accruals		418,080	319,426
Lease liabilities		5,526	8,264
Total liabilities		4,014,741	3,598,007
Policyholders' fund		-	-
Total liabilities and policyholders' fund		4,014,741	3,598,007


The accompanying notes form an integral part of these condensed consolidated interim financial information.

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021 (unaudited)

	<i>Notes</i>	30 September 2021 (unaudited) AED'000	31 December 2020 (audited) AED'000
Equity			
Share capital	11	1,210,000	1,210,000
Treasury shares	12	(35,972)	(35,972)
Statutory reserve	13	97,257	97,257
Accumulated losses		(371,739)	(308,059)
Other reserves	14	(132,380)	(127,892)
Equity attributable to Owners of the Company		767,166	835,334
Non-controlling interest		80,849	74,332
Total equity		848,015	909,666
TOTAL LIABILITIES, POLICYHOLDERS' FUND AND EQUITY		4,862,756	4,507,673



 Chairman



 Chief Executive Officer

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the Nine month period ended 30 September 2021 (unaudited)

	<i>Nine-month period ended 30 September</i>		<i>Three-month period ended 30 September</i>	
	<i>2021 AED'000</i>	<i>2020 AED'000</i>	<i>2021 AED'000</i>	<i>2020 AED'000</i>
Continuing operations				
Underwriting income				
Gross written contributions	866,095	948,783	210,582	253,671
Less: reinsurance and retakaful contributions Ceded	(331,536)	(373,912)	(73,081)	(102,729)
Net contributions	534,559	574,871	137,501	150,942
Net movement in unearned contributions	(54,357)	(45,994)	19,900	26,629
Contributions earned	480,202	528,877	157,401	177,571
Commission income on ceded reinsurance and Retakaful	31,447	27,660	9,962	7,101
	511,649	556,537	167,363	184,672
Underwriting expenses				
Gross claims paid	391,856	356,943	129,320	132,155
Less: reinsurance and retakaful share of claims Paid	(209,675)	(204,216)	(68,080)	(79,347)
Net claims paid	182,181	152,727	61,240	52,808
Net movement in outstanding claims and family takaful reserve	(26,725)	29,209	(7,312)	12,126
Claims incurred	155,456	181,936	53,928	64,934
Commission expense and other costs	233,693	253,022	75,904	82,056
	389,149	434,958	129,832	146,990
Net underwriting income	122,500	121,579	37,531	37,682
Income from investments	27,112	102,481	(4,793)	85,468
Other income	12,498	12,812	3,872	3,852
	162,110	236,872	36,610	127,002
Expenses				
General, administrative and other expenses	(107,421)	(83,084)	(28,676)	(30,506)
Financial expenses	(3,081)	(2,536)	(906)	(1,199)
Net surplus before tax for the period	51,608	151,252	7,028	95,297
Taxation – current	(8,381)	(11,372)	(4,088)	(6,283)
Net surplus after tax for the period before distribution to policyholders	43,227	139,880	2,940	89,014
Distribution to policyholders of Company	-	(2,966)	-	-
Net surplus after tax and distribution to policyholders for the period	43,227	136,914	2,940	89,014

The accompanying notes form an integral part of these condensed consolidated interim financial information.

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)

For the Nine month period ended 30 September 2021 (unaudited)

	<i>Nine-month period ended 30 September</i>		<i>Three-month period ended 30 September</i>	
	<i>2021 AED'000</i>	<i>2020 AED'000</i>	<i>2021 AED'000</i>	<i>2020 AED'000</i>
Discontinued operations				
Loss from discontinued operations	-	150	-	1,003
Net surplus from takaful operations	43,227	137,064	2,940	90,017
Attributable to:				
Shareholders	35,736	127,647	1,150	87,728
Non-controlling interest	7,491	9,417	1,790	2,289
	43,227	137,064	2,940	90,017
Basic and diluted earnings per share (AED) (Note 17)	0.03	0.107	0.001	0.074
Basic and diluted earnings per share (AED) – continuing operations	0.03	0.107	0.001	0.073

The accompanying notes form an integral part of these condensed consolidated interim financial information.

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Nine month period ended 30 September 2021 (unaudited)

	<i>Nine-month period ended 30 September</i>		<i>Three-month period ended 30 September</i>	
	<i>2021 AED'000</i>	<i>2020 AED'000</i>	<i>2021 AED'000</i>	<i>2020 AED'000</i>
Profit after tax and distribution to policyholders for the period	43,227	137,064	2,940	90,017
Other comprehensive (loss)/income net of income tax				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Net movement or change in foreign exchange translation reserve	(6,704)	(10,107)	(4,320)	3,478
Net changes in fair value of available for sale investments	135	507	-	128
Share of other comprehensive Income / (loss) of associates	505	(343)	(546)	348
Total other comprehensive (loss)/income for the period	(6,064)	(9,943)	(4,866)	3,954
Total comprehensive income for the period	37,163	127,121	(1,926)	93,971
Attributable to:				
Shareholders	29,868	116,897	(3,441)	90,117
Non-controlling interest	7,295	10,224	1,515	3,854
	37,163	127,121	(1,926)	93,971

The accompanying notes form an integral part of these condensed consolidated interim financial information.

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Nine month period ended 30 September 2021 (unaudited)

	<i>Share capital AED '000</i>	<i>Statutory reserve AED '000</i>	<i>Revaluation reserve AED '000</i>	<i>Foreign exchange translation reserve AED '000</i>	<i>Investment fair value reserve AED '000</i>	<i>Treasury shares AED '000</i>	<i>Accumulated losses AED '000</i>	<i>Total AED '000</i>	<i>Non- controlling interest AED '000</i>	<i>Total equity AED '000</i>
Balance at 1 January 2020	1,210,000	82,320	31,930	(112,043)	(27,627)	(35,972)	(376,824)	771,784	73,471	845,255
Profit for the period	-	-	-	-	-	-	127,647	127,647	9,417	137,064
Other comprehensive loss										
Movement in foreign exchange translation reserve	-	-	-	(10,914)	-	-	-	(10,914)	807	(10,107)
Net changes in fair value of available for sale investments	-	-	-	-	507	-	-	507	-	507
Share of other comprehensive loss of associates	-	-	-	-	(343)	-	-	(343)	-	(343)
Total other comprehensive loss	-	-	-	(10,914)	164	-	-	(10,750)	807	(9,943)
Total comprehensive income for the period	-	-	-	(10,914)	164	-	127,647	116,897	10,224	127,121
Dividend paid (note 25)	-	-	-	-	-	-	(35,648)	(35,648)	(2,571)	(38,219)
Balance at 30 September 2020 (unaudited)	1,210,000	82,320	31,930	(122,957)	(27,463)	(35,972)	(284,825)	853,033	81,124	934,157

The accompanying notes form an integral part of these condensed consolidated interim financial information.

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the Nine month period ended 30 September 2021 (unaudited)

	<i>Share capital AED'000</i>	<i>Statutory reserve AED'000</i>	<i>Revaluation reserve AED'000</i>	<i>Foreign exchange translation reserve AED'000</i>	<i>Investment fair value reserve AED'000</i>	<i>Treasury shares AED'000</i>	<i>Accumulated losses AED'000</i>	<i>Regulatory reserve AED '000</i>	<i>Total AED'000</i>	<i>Non- controlling interest AED'000</i>	<i>Total equity AED'000</i>
Balance at 1 January 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	-	-	-	-	-	-	35,736	-	35,736	7,491	43,227
Other comprehensive income											
Net movement in foreign exchange translation reserve	-	-	-	(6,508)	-	-	-	-	(6,508)	(196)	(6,704)
Net changes in fair value of available-for-sale investments	-	-	-	-	135	-	-	-	135	-	135
Share of other comprehensive income of associates	-	-	-	-	505	-	-	-	505	-	505
Total other comprehensive income/(loss)	-	-	-	(6,508)	640	-	-	-	(5,868)	(196)	(6,064)
Total comprehensive income/(loss) for the period	-	-	-	(6,508)	640	-	35,736	-	29,868	7,295	37,163
Dividend Paid (note 25)							(98,036)	-	(98,036)	(778)	(98,814)
Transfer to regulatory reserve	-	-	-	-	-	-	(1,380)	1,380	-	-	-
Balance at 30 September 2021	1,210,000	97,257	20,753	(128,704)	(25,941)	(35,972)	(371,739)	1,512	767,166	80,849	848,015

The accompanying notes form an integral part of these condensed consolidated interim financial information.

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the Nine month period ended 30 September 2021 (unaudited)

	Notes	<i>Nine month period ended 30 September</i>	
		<i>2021 AED'000</i>	<i>2020 AED'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		43,227	137,064
Adjustments for:			
Depreciation of property and equipment		4,929	5,340
Depreciation on right to use assets			
Net movement in unearned contributions reserve		53,822	45,356
Unrealized (gain)/loss on investment		12,614	(41,109)
Amortisation of intangible assets		515	218
Share of (profit) / loss from associates		(2,206)	(5,478)
Allowance for doubtful debt receivables		289	6,946
Dividend income		(834)	(1,317)
Gain on disposal of share in associates		-	(35,059)
Operating cash flows before changes in operating assets and liabilities		112,356	111,961
Decrease / (increase) in deposits with takaful and retakaful companies		(8)	(346)
Increase in contributions and takaful balance receivable		(36,300)	(142,938)
Increase in due from/to related parties		-	6
Decrease in other assets and receivables		101,746	57,845
(Decrease) / increase in outstanding claims (net of retakaful)		(29,274)	16,443
Increase in takaful payables and other payables		148,013	67,019
Increase in assets held-for-sale		-	(7,457)
Increase in liabilities against assets held-for-sale		-	6,601
Net cash generated from operating activities		296,533	109,134
CASH FLOWS FROM INVESTING ACTIVITIES			
Disposal/(purchase) of property and equipment		364	2,180
Disposal/(purchase) of intangible assets		(801)	581
Investments properties-net		1,266	1,312
Repayment of principal and interest on lease liability		(2,738)	(2,614)
Decrease/(increase) in term deposits under lien or with maturity after three months		2,094	101,193
Net movement in deposits		(23,208)	9,992
Dividend received		834	1,317
Increase in investments - net		56,624	(82,676)
Dividend income from associates		1,237	931
Net movement in participants' investments in unit-linked contracts		1,709	5,857
Proceed of disposal of share in associate		-	62,488
Net cash (used in) / generated from investing activities		37,381	100,561
CASH FLOWS FROM FINANCING ACTIVITIES			
Net movement in non-controlling interest		6,517	-
Short term Borrowings		43,750	-
Dividend paid		(98,037)	(38,219)
Net cash used in financing activities		(47,770)	(38,219)
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of the period		83,821	54,794
Less: Restricted bank balances		(277,390)	-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		92,575	226,270

The accompanying notes form an integral part of these condensed consolidated interim financial information.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION For the Nine month period ended 30 September 2021 (unaudited)

1. GENERAL INFORMATION

Islamic Arab Insurance Co. (Salama) PJSC (“the Company”) is a public shareholding company, registered in the Emirate of Dubai, United Arab Emirates (UAE) and operates through various branches in the UAE. The registered office of the Company is P.O. Box 10214, Dubai, United Arab Emirates. The principal activity of the Company is the writing of all classes of general takaful and family takaful business, in accordance with Islamic Shari’ah principles and in accordance with the relevant Articles of the Company, UAE Federal Law No. (2) of 2015 for commercial companies and U.A.E. Federal Law No. (6) of 2007, concerning regulations of insurance operations.

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

Subsidiaries	Group’s Ownership		Country of incorporation	Activity
	30 September 2021	31 December 2020		
<i>Directly owned</i>				
Tariic Holding Company B.S.C	99.40%	99.40%	Kingdom of Bahrain	No takaful operations
Misr Emirates Takaful Life Insurance Co.	85%	85%	Egypt	Family takaful
Salama Immobilier	84.25%	84.25%	Senegal	No takaful operations
Egyptian Saudi Insurance Home	51.15%	51.15%	Egypt	General takaful
<i>Through Tariic</i>				
Salama Assurances Algeria	96.98%	96.98%	Algeria	General takaful

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. Many countries have adopted extraordinary and economically costly containment measures.

The UAE Government has implemented restrictions on travelling as well as strict quarantine measures, impacting a wide range of industries, and the insurance industry is expected to be indirectly affected.

Management has considered the unique circumstances and the risk exposures of the Group and has concluded that there is no significant impact on the Group’s profitability position as at reporting date. This is primarily because insurance activities in the UAE continue and are not subject to many of the restrictions mentioned above.

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

- recoverability of contributions and takaful balance receivables,
- fair value measurement of financial instruments,
- fair value measurement of investment properties,
- impairment of goodwill, and
- provision for outstanding claims and claims incurred but not reported.

The Group has performed stress testing as required by the Insurance Authority of UAE on a monthly basis approved by the Board of Directors, who are satisfied that the Group will continue to operate as a going concern. In addition, in order to respond to the ongoing litigations and Precautionary Attachment Order of the bank balances amounting to AED 277 million as at 30 September 2021 and a further AED 0.6 million has been attached in subsequent period as described in notes 18 and 20, management and the Board of Directors have considered the way forward and developed plans and actions to ensure the Group’s viability and continuity as a going concern. Management has performed cash flow projections and presented this to the Board of Directors with due considerations on the ongoing day-to-day operations and the aforementioned bank balances attachment and concluded that the Group has enough liquidity position and bank funding supports to ensure that the Group is able to continue as a going concern.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION For the Nine month period ended 30 September 2021 (unaudited)

1. GENERAL INFORMATION (continued)

Accordingly, these condensed consolidated interim financial information 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.

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

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

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2021, have been adopted in these condensed consolidated interim financial information. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

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

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

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

- IFRS 17 *Insurance Contracts*: Effective for annual periods beginning on or after 1 January 2023;
- Amendments to IAS 1: *Classification of Liabilities as Current or Non-current*: Effective for annual periods beginning on or after 1 January 2022. In May 2020, the IASB has issued an exposure draft deferring the effective date of the standard to 1 January 2023;
- Amendments to IFRS 3: *Reference to the Conceptual Framework*: Effective for annual periods beginning on or after 1 January 2022;
- Amendment to IAS 16 *Property, Plant and Equipment: Proceeds before Intended Use*: Effective for annual periods beginning on or after 1 January 2022;
- Amendments to IAS 37 *Onerous Contracts – Costs of Fulfilling a Contract*: Effective for annual periods beginning on or after 1 January 2022; and
- Annual Improvements 2018-2020 cycle:
 - IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter (effective for annual periods beginning on or after 1 January 2022);
 - IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities - The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability (effective for annual periods beginning on or after 1 January 2022); and
 - IAS 41 Agriculture – Taxation in fair value measurements - The amendment removes the requirement that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41 (effective for annual periods beginning on or after 1 January 2022);

2.3 Applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts*

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION For the Nine month period ended 30 September 2021 (unaudited)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

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

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

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

The accounting policies, presentation and methods in this condensed consolidated interim financial information are consistent with those used in the audited consolidated financial statements for the year ended 31 December 2020.

This condensed consolidated interim financial information does not include all the information required for full audited annual consolidated financial statements and should be read in conjunction with the Group’s audited annual consolidated financial statements as at and for the year ended 31 December 2020. In addition, results for the Nine month period ended 30 September 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

4. CHANGES IN JUDGEMENTS AND ESTIMATION UNCERTAINTY

The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2020, with the exception of the impact of the novel coronavirus (COVID-19) outbreak on the Group which is detailed below.

The existence of novel coronavirus was confirmed in early 2020 and has spread globally, causing disruptions to businesses and economic activity. In light of the rapid spread of COVID-19 across the globe, various economies and sectors have faced significant disruptions and uncertainty as a result of measures taken by governments to contain or delay the spread of the virus. As of to date, the actual scope of the impact is very difficult to measure, and until now, only subjective assessment of the impact can be used.

Recoverability of contributions and takaful balance receivables

The COVID-19 outbreak led to a significant increase in the credit risk of companies within the economy as a result of operational disruption.

Based on management’s assessment, the Group has not identified a material impact on the recoverability of contribution and takaful balance receivables for the period ended 30 September 2021.

Fair value measurement of financial instruments

COVID-19 outbreak led to significant market turmoil and price volatility on the global financial markets. The Group is closely monitoring whether the fair values of the financial assets and liabilities represent the price that would be achieved for transactions between market participants in the current scenario.

Based on management’s assessment, the Group has not identified a material impact on the fair values of any financial assets and liabilities for the period ended 30 September 2021 other than the change which is already reflected in the condensed interim financial information.

Fair value measurement of investment properties

As the real estate market becomes slower moving, adjustments may be required to adjust the fair values of the properties in order to reflect the current economic circumstances.

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4. CHANGES IN JUDGEMENTS AND ESTIMATION UNCERTAINTY (continued)

Fair value measurement of investment properties (continued)

Based on management's assessment, the Group has not identified any significant impact to the fair values of investment properties for the period ended 30 September 2021. The Group will consistently monitor the market and ensure that the prices used by the Group are an accurate representation of fair values.

Impairment of goodwill

The Group has performed an assessment of the impact of COVID-19 on an estimation of the value-in-use of the cash generating units to which goodwill is allocated. Management used sensitivity analyses in estimating of the expected future cash flows and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The Group's determined that there is no material impact on fair value of goodwill for the period ended 30 September 2021.

Provision for outstanding claims and claims incurred but not reported

The Group has performed an assessment of the impact of COVID-19 on its contractual arrangements, 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 for the period ended 30 September 2021. It will continue monitoring its claims experience and the developments around the pandemic and revisit the assumptions and methodologies in future reporting periods.

5. TAKAFUL AND FINANCIAL RISK MANAGEMENT

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

The condensed interim consolidated financial information does not include all takaful and financial risk management information and disclosures required in the annual consolidated financial statements; therefore, they should be read in conjunction with the Group's audited annual consolidated financial statements for the year ended 31 December 2020.

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

6. INVESTMENT PROPERTIES

The geographic dispersion of investment properties is as follows.

	<i>30 September 2021 (unaudited) AED'000</i>	<i>31 December 2020 (audited) AED'000</i>
Within UAE	8,000	8,000
Outside UAE	130,268	131,534
	138,268	139,534

The variations in the value of investment properties are due to change in foreign exchange translation of investment properties held in foreign operations.

The Group has an investment in Kingdom of Saudi Arabia amounting to AED 85 million which is subject to an ongoing legal case as described in note 20.

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

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7. INVESTMENT IN ASSOCIATES

The principal significant associates of the Group, all of which have 31 December as their year-end, are as follows.

	<i>Ownership</i>		<i>Country of incorporation</i>	<i>30 September 2021 (unaudited) AED'000</i>	<i>31 December 2020 (audited) AED'000</i>
	<i>2021</i>	<i>2020</i>			
Associates					
Islamic Insurance Jordan	20%	20%	Jordan	34,407	32,932
				34,407	32,932

Movements during the period/year

	<i>30 September 2021 (unaudited) AED'000</i>	<i>31 December 2020 (audited) AED'000</i>
Balance at 1 January	32,932	96,215
Share of profit from associates	2,206	5,341
Dividend received	(1,236)	(931)
Share of other comprehensive income	505	538
Carrying amount of investment on the date of loss of significant influence	-	(68,231)
	34,407	32,932

Up to 19 August 2020, the Group held a 30% interest in Salama Cooperative Insurance Company and accounted for the investment as an associate. During August 2020, the Group disposed of an 18% interest in Salama Cooperative Insurance Company to a third party for proceeds of AED 62.5 million (received in August 2020). The Group has accounted for the remaining 12% interest as a financial asset at FVTPL whose fair value at the date of disposal was AED 41.7 million, which was determined based on the market price.

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8. INVESTMENTS

	30 September 2021 (unaudited)			31 December 2020 (audited)		
	Domestic investment AED'000	Inter-national investment AED'000	Total AED'000	Domestic investment AED'000	Inter-national investment AED'000	Total AED'000
Financial assets at fair value through profit or loss						
Shares and securities	-	83,554	83,554	-	95,612	95,612
Available-for-sale investments						
Mutual fund and externally managed portfolios	-	62,561	62,561	-	62,426	62,426
Shares and securities	-	945	945	-	787	787
	-	63,506	63,506	-	63,213	63,213
Islamic placements*	-	179,617	179,617	-	172,450	172,450
Held to maturity						
Sukuk and						
Government bonds	-	120,175	120,175	-	196,074	196,074
Wakalah certificates	-	-	-	54,094	-	54,094
Other Mudariba	54,094	-	54,094	-	-	-
Investments	-	92,559	92,559	-	95,153	95,153
	54,094	212,734	266,828	54,094	291,227	345,321
	54,094	539,411	593,505	54,094	622,502	676,596

*Represent Shari'ah compliant placements with different financial institutions having profit rates of 0.22% to 5% (2020: 0.22% to 5%) and maturing in more than three month when acquired.

The Group's investments include Islamic placement investments of AED 45.89 million, available-for-sale investments of AED 58.24 million and held to maturity investments of AED 65.74 million that are subject to an ongoing legal case as described in note 20.

8.1 Participants' investments in unit-linked contracts

	30 September 2021 (unaudited) AED'000	31 December 2020 (audited) AED'000
Financial asset at fair value through profit or loss	2,391,935	2,228,346

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8. INVESTMENTS (continued)

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

Determining fair values

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

30 September 2021 (Unaudited)

	<i>Level 1</i> <i>AED'000</i>	<i>Level 2</i> <i>AED'000</i>	<i>Level 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Financial assets				
Fair value through profit or loss				
Participants' investments in unit-linked contracts	-	2,391,935	-	2,391,935
Shares and securities	83,554	-	-	83,554
	<u>83,554</u>	<u>2,391,935</u>	<u>-</u>	<u>2,475,489</u>
Available-for-sale				
Mutual fund	-	62,561	-	62,561
Shares and securities	397	548	-	945
	<u>397</u>	<u>63,109</u>	<u>-</u>	<u>63,506</u>
Non-financial assets				
Investment properties	-	-	138,268	138,268
Financial liabilities				
Payable to participants for unit-linked contracts	-	2,390,147	-	2,390,147

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION For the Nine month period ended 30 September 2021 (unaudited)

8. INVESTMENTS (continued)

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

Determining fair values (continued)

31 December 2020 (audited)

	<i>Level 1</i> <i>AED'000</i>	<i>Level 2</i> <i>AED'000</i>	<i>Level 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Financial assets				
Fair value through profit or loss				
Participants' investments in unit-linked contracts	-	2,228,346	-	2,228,346
Shares and securities	95,612	-	-	95,612
	<u>95,612</u>	<u>2,228,346</u>	<u>-</u>	<u>2,323,958</u>
Available-for-sale				
Mutual fund	-	62,426	-	62,426
Shares and securities	412	375	-	787
	<u>412</u>	<u>62,801</u>	<u>-</u>	<u>63,213</u>
Non-financial assets				
Investment properties	-	-	139,534	139,534
Financial liabilities				
Payable to participants for unit-linked contracts	-	2,224,849	-	2,224,849

9. DISCONTINUED OPERATIONS

Salama Assurance Senegal

In 2019, the Board of Directors have approved to dispose of one of the subsidiary of Tariic, Salama Assurance Senegal. Consequently, the Group's investment in Salama Assurance Senegal was classified as investment held-for-sale in the 2019 annual consolidated financial statements. Pursuant to Board resolution, in 2020, management has entered into a sale and purchase agreement ("SPA") with counter party to sell Group's entire shareholding in Salama Assurance Senegal. As per the term of SPA, purchase consideration was Euro 2.61 million (equivalent AED 11.59 million) in four installments. First installment amounting to Euro 0.88 million (equivalent to AED 3.87 million) was paid in cash by buyer, second installment amounting to Euro 0.88 million (equivalent to AED 3.87 million) was paid on 31 December 2020, third installment amounting to Euro 0.35 million (equivalent to AED 1.54 million) was paid within 30 days following the completion date of second installment and fourth installment amounting to Euro 0.5 million (equivalent to AED 2.31 million) will be paid within 6 months following the completion date of third installment. The sale was concluded in 2020. Subsequent to the year end 2020, Euro 2.11 million (equivalent AED 9.28 million) were received in cash by the Group on 29th July 2021, being the full and final settlement amount as per the SPA.

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9. DISCONTINUED OPERATIONS (continued)

Salama Assurance Senegal (continued)

Results from discontinued operations

	30 September 2021 (unaudited) AED'000	31 December 2020 (audited) AED'000
Revenue	-	3,009
Expenses	-	(3,862)
Results from operating activities	-	(853)
Profit/(loss) from discontinued operations, net of tax	-	(853)

Cash flows from discontinued operations

Net cash generated from operating activities	-	3,120
Net cash used in investing activities	-	(1,128)
Net cash flows for the period	-	1,992

10. RELATED PARTY TRANSACTIONS

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

	Nine-month period ended 30 September		Three-month period ended 30 September	
	2021 AED'000	2020 AED'000	2021 AED'000	2020 AED'000
Contribution	1,879	1,994	-	(33)
Claims paid	8,200	7,957	6	204
General and administrative expenses	-	63	-	-
Compensation of key management personnel				
Short term benefits	4,582	4,444	1,697	1,414
Employees end of service benefits	65	378	(215)	209
	4,647	4,822	1,482	1,623
Directors' remuneration				
Directors' remuneration*	14,200	-	14,200	-

*The Directors' remuneration pertain to the year 2020 and was approved by the Shareholders at the Company's General Assembly meeting held on 18 April 2021. The remuneration is recorded as part of 'General and administrative expenses' in the statement of profit or loss.

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10. RELATED PARTY TRANSACTIONS (continued)

Balances with related parties

	<i>30 September 2021 (unaudited) AED'000</i>	<i>31 December 2020 (audited) AED'000</i>
Cash and bank balances	<u>186</u>	<u>555</u>
Investments held-to-maturity Wakalah certificates	<u>54,094</u>	<u>54,094</u>
Participants' investments in unit-linked contracts	<u>366,649</u>	<u>309,417</u>

11. SHARE CAPITAL

	<i>30 September 2021 (unaudited) AED'000</i>	<i>31 December 2020 (audited) AED'000</i>
Issued and fully paid (1,210 million ordinary shares of AED 1 each)	<u>1,210,000</u>	<u>1,210,000</u>

12. TREASURY SHARES

In 2008, the Company bought back 21,667,377 shares amounting to AED 35.97 million. The treasury shares are debited as a separate category of shareholders' equity at cost. The buyback of shares was duly approved by the Board of Directors. The Board of Directors on 27 March 2020 approved a capital reduction of the Group by utilising the treasury shares which were bought back in 2008 amounting to AED 35.97 million.

13. STATUTORY RESERVE

In accordance with Article 239 of the U.A.E. Federal Law No. (2) of 2015 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.

14. OTHER RESERVES

Other reserves include following:

	<i>30 September 2021 (unaudited) AED'000</i>	<i>31 December 2020 (audited) AED'000</i>
Revaluation reserve	20,753	20,753
Foreign exchange translation reserve	(128,704)	(122,196)
Investment fair value reserve	(25,941)	(26,581)
Regulatory reserve – UAE operations	1,512	132
	<u>(132,380)</u>	<u>(127,892)</u>

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15. WAKALAH SHARE

The shareholders manage the takaful operations of the Group for the policyholders and charge 12.86% (2020: 32.5%) 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% (2020: 15%) of mortality costs.

16. POLICYHOLDERS' FUND

	<i>30 September 2021 (unaudited) AED'000</i>	<i>31 December 2020 (audited) AED'000</i>	<i>30 September 2020 (unaudited) AED'000</i>
Balance at 1 January	(688,010)	(612,051)	(612,051)
Net surplus attributable to policyholders for the period/year	5,997	(72,992)	(73,723)
Surplus distribution to policyholders of family takaful	-	(2,967)	(2,966)
Write-off of Qard Hassan	(682,013)	-	-
Financed by shareholders	-	(688,010)	(688,740)

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

17. BASIC AND DILUTED EARNINGS PER SHARE

	<i>Nine-month period ended 30 September</i>		<i>Three-month period ended 30 September</i>	
	<i>2021 AED'000</i>	<i>2020 AED'000</i>	<i>2021 AED'000</i>	<i>2020 AED'000</i>
Profit for the period attributable to shareholders (AED'000)	35,736	127,647	1,150	87,728
Number of shares (in thousands)	1,188,333	1,188,333	1,188,333	1,188,333
Basic and diluted earnings per share (AED)	0.03	0.107	0.001	0.074

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

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18. CASH AND CASH EQUIVALENTS

	<i>30 September 2021 (unaudited) AED'000</i>	<i>31 December 2020 (audited) AED'000</i>	<i>30 September 2020 (unaudited) AED'000</i>
Cash in hand	33	17	79
Cash at bank	334,513	74,233	203,389
Term deposits	41,454	17,700	28,929
	<u>376,000</u>	<u>91,950</u>	<u>232,397</u>
Less: term deposits with maturity after three months	-	(4,331)	(1,450)
Less: term deposits under lien	(6,035)	(3,798)	(4,677)
Less: Restricted bank balances*	(277,390)	-	-
	<u><u>92,575</u></u>	<u><u>83,821</u></u>	<u><u>226,270</u></u>

*As described in note 20, the Group's bank accounts totalling AED 277 million has been attached as at 30 September 2021, and a further AED 0.6 million had been attached subsequently.

19. OTHER ASSETS AND RECEIVABLES

	<i>30 September 2021 (unaudited) AED'000</i>	<i>31 December 2020 (audited) AED'000</i>
Deferred commission	199,706	251,126
Prepaid commission	10,483	34,678
Others	63,605	89,736
	<u>273,794</u>	<u>375,540</u>

The other assets and receivables include other receivables amounting to AED13.8 million which was previously subjected to a legal case, and on which the Group has won, and the court has issued performance order and is now under execution against the relevant counter parties.

The other assets and receivable also include other receivable amounting to AED19.82 million. In 2018, the former Board of Directors has resolved to dispose of the Group's investment in Best Re Holding Limited ("Best Re"). Pursuant to Board resolution, management has entered into a sale and purchase agreement ("SPA") with counter party to sell the Group's entire shareholding in Best Re. As per the terms of SPA, USD 0.1 million (equivalent AED 0.37 million) will be paid in cash by the buyer and remaining USD 5.4 million (equivalent to AED 19.82 million) is contingent upon the future recoveries from portfolio of Best Re to be paid in two years' time from the date of signing of SPA, i.e. 11 November 2018. The sale was concluded in 2019. As at reporting date, other assets and receivables includes remaining amount of USD 5.4 million (equivalent to AED 19.85 million).

The management believes at this stage that these receivables are recoverable and thus, no provision has been made.

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20. COMMITMENTS AND CONTINGENCIES

	<i>30 September 2021 (unaudited) AED'000</i>	<i>31 December 2020 (audited) AED'000</i>
Letters of guarantee	<u>15,038</u>	<u>13,529</u>

Deposits including statutory deposits amounting to AED 16.03 million (2020: AED 13.80 million) are held as lien by the bank against the above guarantees.

In 2020, 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 85 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 2021, the above claim was dismissed by the court in the first instance stage.

Upon an application filed by the bank, a Performance Order was issued by the Court against the Company for an amount of approx. AED 258 million. The Company has appealed this Performance Order.

Furthermore, a Precautionary Attachment Order has been issued by the bank 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 Court of Cassation considered the appeal inadmissible. As a result, the Group's bank accounts totalling AED 277 million has been attached as at 30 September 2021 and a further AED 0.6 million had been attached subsequently.

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.

The Group is exposed to certain claims and litigations, these are subject to legal cases filed by policyholders, cedants and retakaful operators in connection with policies issued. The management believes, based on independent legal counsel opinions that the ascertainment of liabilities and its timing is highly subjective and dependent on outcomes of court's decisions. Furthermore, as per independent legal counsel, the Group has strong grounds to defend the suits successfully. Accordingly, no additional provision for these claims has been made in the consolidated financial statements. However, a provision is made in respect of each individual case where it is probable that the outcome would result in a loss to the Group in terms of an outflow of economic resources and a reliable estimate of the amount of outflow can be made. There are no significant capital commitments at 30 September 2021 (2020: nil).

21. SHORT-TERM BORROWINGS

	<i>30 September 2021 (unaudited) AED'000</i>	<i>31 December 2020 (audited) AED'000</i>
Short-term borrowings	<u>43,750</u>	<u>-</u>

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. The profit is shared between the bank and the Group using a certain ratio. If the Mudaraba achieves a profit for the bank in excess of 2.3% over 1-month EIBOR per annum, then the bank may pay the excess profit to the Group. The profit paid for the Nine-month period ending 30 September 2021 amounted to AED 0.7 million and is recorded under 'Financial expenses' in the statement of profit or loss.

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22. ALLOCATION BETWEEN PARTICIPANTS AND SHAREHOLDERS (UNAUDITED)

	<i>For the Nine month period ended 30 September 2021</i>				<i>For the three month period ended 30 September 2021</i>			
	<i>Shareholders</i> <i>AED'000</i>	<i>Policyholders</i> <i>AED'000</i>	<i>Non-controlling</i> <i>interest</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>	<i>Shareholders</i> <i>AED'000</i>	<i>Policyholders</i> <i>AED'000</i>	<i>Non-controlling</i> <i>interest</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Net underwriting income								
Income	-	122,500	-	122,500	-	37,531	-	37,531
Wakalah share (Note 15)	58,028	(58,028)	-	-	11,945	(11,945)	-	-
Mudarib share (Note 15)	15	(15)	-	-	4	(4)	-	-
Net technical charges from policyholders to shareholders	47,411	(47,411)	-	-	14,256	(14,256)	-	-
Net underwriting income from subsidiaries	47,516	(47,516)	-	-	15,601	(15,601)	-	-
Income from investments	27,066	46	-	27,112	(4,804)	11	-	(4,793)
Other income	11,428	1,070	-	12,498	3,742	130	-	3,872
	191,464	(29,354)	-	162,110	40,744	(4,134)	-	36,610
Expenses								
General, administrative and other expenses	(107,421)	-	-	(107,421)	(28,676)	-	-	(28,676)
Financial expenses	(3,081)	-	-	(3,081)	(906)	-	-	(906)
Commission paid and other costs	(35,351)	35,351	-	-	(11,551)	11,551	-	-
Net profit before tax for the period	45,611	5,997	-	51,608	(389)	7,417	-	7,028
Tax – current	(8,381)	-	-	(8,381)	(4,088)	-	-	(4,088)
Net profit after tax for the period	37,230	5,997	-	43,227	(4,477)	7,417	-	2,940
Gain from discontinued operations								
Share of non-controlling interest	(7,491)	-	7,491	-	(1,790)	-	1,790	-
Distribution to policyholders of the Company	-	-	-	-	-	-	-	-
Policyholders' loss financed by shareholders / recovery of loss from policyholders' fund	5,997	(5,997)	-	-	7,417	(7,417)	-	-
Net profit for the period	35,736	-	7,491	43,227	1,150	-	1,790	2,940

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22. ALLOCATION BETWEEN PARTICIPANTS AND SHAREHOLDERS (unaudited)

	<i>For the Nine month period ended 30 September 2020</i>				<i>For the three month period ended 30 September 2020</i>			
	<i>Shareholders</i> <i>AED'000</i>	<i>Policyholders</i> <i>AED'000</i>	<i>Non-controlling</i> <i>interest</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>	<i>Shareholders</i> <i>AED'000</i>	<i>Policyholders</i> <i>AED'000</i>	<i>Non-controlling</i> <i>interest</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Net underwriting income								
Income	-	121,579	-	121,579	-	37,682	-	37,682
Wakalah share (Note 15)	154,724	(154,724)	-	-	32,853	(32,853)	-	-
Mudarib share (Note 15)	45	(45)	-	-	13	(13)	-	-
Net technical charges from policyholders								
to shareholders	35,757	(35,757)	-	-	5,291	(5,291)	-	-
Net underwriting income from subsidiaries	37,129	(37,129)	-	-	14,479	(14,479)	-	-
Income from investments	102,340	141	-	102,481	85,430	38	-	85,468
Other income	12,435	377	-	12,812	3,730	122	-	3,852
	342,430	(105,558)	-	236,872	141,796	(14,794)	-	127,002
Expenses								
General, administrative and other expenses	(83,084)	-	-	(83,084)	(30,506)	-	-	(30,506)
Financial expenses	(2,536)	-	-	(2,536)	(1,199)	-	-	(1,199)
Commission paid and other costs	(31,835)	31,835	-	-	(11,659)	11,659	-	-
Net profit/(loss) before tax for the period	224,975	(73,723)	-	151,252	98,432	(3,135)	-	95,297
Tax – current	(11,372)	-	-	(11,372)	(6,283)	-	-	(6,283)
Net profit/(loss) after tax for the period	213,603	(73,723)	-	139,880	92,149	(3,135)	-	89,014
Gain from discontinued operations	150	-	-	150	1,003	-	-	1,003
Share of non-controlling interest	(9,417)	-	9,417	-	(2,289)	-	2,289	-
Distribution to policyholders of the Company	-	(2,966)	-	(2,966)	-	-	-	-
Policyholders' loss financed by shareholders / recovery of loss from policyholders' fund	(76,689)	76,689	-	-	(3,135)	3,135	-	-
Net profit for the period	127,647	-	9,417	137,064	87,728	-	2,289	90,017

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
For the Nine month period ended 30 September 2021 (unaudited)

22. ALLOCATION BETWEEN PARTICIPANTS AND SHAREHOLDERS (continued)

Condensed consolidated interim statement of financial position

	<i>30 September 2021 (unaudited) AED'000</i>	<i>31 December 2020 (audited) AED'000</i>
Assets		
<i>Participants' assets</i>		
Participants' investments in unit-linked contracts	2,391,935	2,228,346
Contributions and takaful balance receivables	179,337	141,326
Retakafuls' share of outstanding claims	197,215	168,326
Retakafuls' share of unearned contributions	116,706	117,293
Other assets and receivables	10	20
Investment properties	84,957	-
Investments	13,367	-
Restricted bank balances	207,944	-
Cash and bank balances	4,075	69,027
Total participants' assets	<u>3,195,546</u>	<u>2,724,338</u>
Total shareholders' assets *	<u>1,667,210</u>	<u>1,783,335</u>
Total assets	<u><u>4,862,756</u></u>	<u><u>4,507,673</u></u>
Liabilities		
<i>Participants' liabilities</i>		
Outstanding claims and family takaful reserve	310,533	272,867
Payable to participants for unit-linked contracts	2,390,147	2,224,849
Unearned contributions reserve	211,035	184,622
Takaful balances payable	151,916	113,364
Other payables and accruals	131,915	41,677
Total participants' liabilities	<u>3,195,546</u>	<u>2,837,379</u>
Total shareholders' liabilities*	<u>819,195</u>	<u>760,628</u>
Total liabilities	<u><u>4,014,741</u></u>	<u><u>3,598,007</u></u>
Net assets employed	<u><u>848,015</u></u>	<u><u>909,666</u></u>
Financed by:		
Shareholders' equity	767,166	835,334
Non-controlling interest	80,849	74,332
	<u><u>848,015</u></u>	<u><u>909,666</u></u>

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the Nine month period ended 30 September 2021 (unaudited)

23. OPERATING SEGMENT

By business

	<i>Nine month period ended 30 September 2021</i>			<i>Three month period ended 30 September 2021</i>		
	<i>General takaful AED'000</i>	<i>Family takaful AED'000</i>	<i>Total AED'000</i>	<i>General takaful AED'000</i>	<i>Family takaful AED'000</i>	<i>Total AED'000</i>
Gross written contributions	566,962	299,133	866,095	119,900	90,682	210,582
Net contributions earned	268,794	211,408	480,202	96,055	61,346	157,401
Commissions income on ceded reinsurance and retakaful	30,362	1,085	31,447	9,885	77	9,962
Net claims incurred	299,156 (156,155)	212,493 699	511,649 (155,456)	105,940 (57,539)	61,423 3,611	167,363 (53,928)
Commissions expense and other costs	(79,203)	(154,490)	(233,693)	(27,121)	(48,783)	(75,904)
Net underwriting income	63,798	58,702	122,500	21,280	16,251	37,531
Investment and other income			39,610			(921)
Unallocated expenses and tax			(118,883)			(33,670)
Surplus distribution for life policyholders			-			-
Loss from discontinued operations			-			-
Net profit after tax			43,227			2,940

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the Nine month period ended 30 September 2021 (unaudited)

23. OPERATING SEGMENT (continued)

By business

	<i>Nine month period ended 30 September 2020</i>			<i>Three month period ended 30 September 2020</i>		
	<i>General takaful AED '000</i>	<i>Family takaful AED '000</i>	<i>Total AED '000</i>	<i>General takaful AED '000</i>	<i>Family takaful AED '000</i>	<i>Total AED '000</i>
Gross written contributions	644,538	304,245	948,783	157,723	95,948	253,671
Net contributions earned	280,578	248,299	528,877	99,087	78,484	177,571
Commissions income on ceded reinsurance and retakaful	23,315	4,345	27,660	7,101	-	7,101
	303,893	252,644	556,537	106,188	78,484	184,672
Net claims incurred	(163,813)	(9,398)	(173,211)	(60,940)	(2,900)	(63,840)
Commissions expense and other costs	(73,456)	(188,291)	(261,747)	(23,234)	(59,916)	(83,150)
Net underwriting income	66,624	54,955	121,579	22,014	15,668	37,682
Investment and other income			115,293			89,320
Unallocated expenses and tax			(96,992)			(37,988)
Surplus distribution for life policyholders			(2,966)			-
Loss from discontinued operations			150			1,003
Net profit after tax			137,064			90,017

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the Nine month period ended 30 September 2021 (unaudited)

23. OPERATING SEGMENT (continued)

By geography

	<i>Nine month period ended 30 September 2021</i>			<i>Three month period ended 30 September 2021</i>		
	<i>Africa AED'000</i>	<i>Asia AED'000</i>	<i>Total AED'000</i>	<i>Africa AED'000</i>	<i>Asia AED'000</i>	<i>Total AED'000</i>
Gross written contributions	225,271	640,824	866,095	75,147	135,435	210,582
Net contributions earned	143,087	337,115	480,202	51,071	106,330	157,401
Commissions income on ceded reinsurance and retakaful	11,053	20,394	31,447	3,469	6,493	9,962
Net Net claims incurred	154,140	357,509	511,649	54,540	112,823	167,363
Commissions expense and other costs	(55,425)	(100,031)	(155,456)	(21,924)	(32,004)	(53,928)
Net underwriting income	(51,199)	(182,494)	(233,693)	(17,013)	(58,891)	(75,904)
Investment and other income	47,516	74,984	122,500	15,603	21,928	37,531
Unallocated expenses and tax			39,610			(921)
Surplus distribution for life policyholders			(118,883)			(33,670)
Loss from discontinued operations			-			-
Net profit after tax			43,227			2,940

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the Nine month period ended 30 September 2021 (unaudited)

23. OPERATING SEGMENT (continued)

By geography

	<i>Nine month period ended 30 September 2020</i>			<i>Three month period ended 30 September 2020</i>		
	<i>Africa AED'000</i>	<i>Asia AED'000</i>	<i>Total AED'000</i>	<i>Africa AED'000</i>	<i>Asia AED'000</i>	<i>Total AED'000</i>
Gross written contributions	217,229	731,554	948,783	79,678	173,993	253,671
Net contributions earned	153,077	375,800	528,877	54,058	123,513	177,571
Commissions income on ceded reinsurance and retakaful	10,643	17,017	27,660	3,414	3,687	7,101
Net claims incurred	163,720	392,817	556,537	57,472	127,200	184,672
Commissions expense and other costs	(80,141)	(93,070)	(173,211)	(27,110)	(36,730)	(63,840)
Net underwriting income	(46,452)	(215,295)	(261,747)	(15,885)	(67,265)	(83,150)
Investment and other income	37,127	84,452	121,579	14,477	23,206	37,682
Unallocated expenses and tax			115,293			89,320
Surplus distribution for life policyholders			(96,992)			(37,988)
Loss from discontinued operations			(2,966)			-
			150			1,003
Net profit after tax			137,064			90,017

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
For the Nine month period ended 30 September 2021 (unaudited)

23. OPERATING SEGMENT (continued)

By business

30 September 2021 (Unaudited)

	<i>General takaful AED'000</i>	<i>Family takaful AED'000</i>	<i>Total AED'000</i>
Assets			
Property and equipment	33,982	2,984	36,966
Goodwill and intangibles	115,295	228	115,523
Investment properties	98,388	39,880	138,268
Right to use assets	2,388	2,924	5,312
Investment in associates	34,407	-	34,407
Deposits	178,218	47,818	226,036
Investments	469,972	123,533	593,505
Participants' investments in unit-linked contracts	-	2,391,935	2,391,935
Deposits with takaful and retakaful companies	2,388	26	2,414
Contributions and takaful balance receivables	226,368	17,419	243,787
Retakafuls' share of outstanding claims	169,374	82,979	252,353
Retakafuls' share of unearned contributions	167,402	5,054	172,456
Other assets and receivables	55,812	217,982	273,794
Restricted bank balances	51,960	225,430	277,390
Bank balances and cash	63,742	34,868	98,610
Total assets	1,669,696	3,193,060	4,862,756
Liabilities			
Outstanding claims and family takaful reserve	311,505	255,232	566,737
Payable to Participants for unit-linked contracts	-	2,390,147	2,390,147
Unearned contributions reserve	316,696	60,616	377,312
Short term borrowings	13,125	30,625	43,750
Takaful balances payable	169,547	43,642	213,189
Other payables and accruals	156,291	261,789	418,080
Lease liabilities	2,498	3,028	5,526
Total liabilities	969,662	3,045,079	4,014,741
Net assets employed	700,034	147,981	848,015
Financed by:			
Shareholders' equity			767,166
Non-controlling interest			80,849
			848,015

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
For the Nine month period ended 30 September 2021 (unaudited)

23. OPERATING SEGMENT (continued)

By business

31 December 2020 (Audited)

	<i>General takaful AED'000</i>	<i>Family takaful AED'000</i>	<i>Total AED'000</i>
Assets			
Property and equipment	36,509	3,039	39,548
Goodwill and intangibles	115,029	208	115,237
Investment properties	139,534	-	139,534
Right of use assets	4,367	3,667	8,034
Investments in associates	32,932	-	32,932
Deposits	165,912	36,916	202,828
Investments	529,941	146,655	676,596
Participants' investments in unit-linked contracts	-	2,228,346	2,228,346
Deposits with takaful and retakaful companies	2,406	-	2,406
Contributions and takaful balance receivables	197,202	10,574	207,776
Retakafuls' share of outstanding claims	130,507	84,433	214,940
Retakafuls' share of unearned contributions	169,169	2,837	172,006
Other assets and receivables	81,529	294,011	375,540
Bank balances and cash	69,988	21,962	91,950
	<u>1,675,025</u>	<u>2,832,648</u>	<u>4,507,673</u>
Liabilities and policyholders' fund			
Outstanding claims and family takaful reserve	296,665	261,933	558,598
Payable to Participants for unit-linked contracts	-	2,224,849	2,224,849
Unearned contributions reserve	281,185	41,855	323,040
Takaful balances payable	151,248	12,582	163,830
Other payables and accruals	127,632	191,794	319,426
Lease liabilities	4,517	3,747	8,264
Total liabilities	<u>861,247</u>	<u>2,736,760</u>	<u>3,598,007</u>
Policyholders' fund	<u>-</u>	<u>-</u>	<u>-</u>
Net assets employed	<u>813,778</u>	<u>95,888</u>	<u>909,666</u>
Financed by:			
Shareholders' equity			835,334
Non-controlling interest			74,332
			<u>909,666</u>

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION For the Nine month period ended 30 September 2021 (unaudited)

24. CLASSES AND CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

30 September 2021 (Unaudited)

	<i>FVTPL</i> <i>AED'000</i>	<i>Available for sale investments</i> <i>AED'000</i>	<i>Amortised cost</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Financial assets				
Investments	83,554	63,506	446,445	593,505
Deposits	-	-	226,036	226,036
Participants' investments in unit-linked contracts	2,391,935	-	-	2,391,935
Deposits with takaful and retakaful companies	-	-	2,414	2,414
Contributions and takaful balance receivables	-	-	243,787	243,787
Other assets and receivables	-	-	54,903	54,903
Bank balances and cash	-	-	98,610	98,610
	<u>2,475,489</u>	<u>63,506</u>	<u>1,072,195</u>	<u>3,611,190</u>
Financial liabilities				
Payable to participants for unit-linked contracts	2,390,147	-	-	2,390,147
Takaful balances payable	-	-	213,189	213,189
Amount due to related parties	-	-	-	-
Other payables and accruals	-	-	381,146	381,146
Lease liabilities	-	-	5,526	5,526
	<u>2,390,147</u>	<u>-</u>	<u>599,861</u>	<u>2,990,008</u>

31 December 2020 (audited)

	<i>FVTPL</i> <i>AED'000</i>	<i>Available for sale investments</i> <i>AED'000</i>	<i>Amortised cost</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Financial assets				
Investments	95,612	63,213	517,771	676,596
Deposits	-	-	202,828	202,828
Participants' investments in unit-linked contracts	2,228,346	-	-	2,228,346
Deposits with takaful and retakaful companies	-	-	2,406	2,406
Contributions and takaful balance receivables	-	-	207,776	207,776
Other assets and receivables	-	-	79,638	79,638
Bank balances and cash	-	-	91,950	91,950
	<u>2,323,958</u>	<u>63,213</u>	<u>1,102,369</u>	<u>3,489,540</u>
Financial liabilities				
Payable to participants for unit-linked contracts	2,224,849	-	-	2,224,849
Takaful balances payable	-	-	163,830	163,830
Other payables	-	-	279,572	279,572
Lease liabilities	-	-	8,264	8,264
	<u>2,224,849</u>	<u>-</u>	<u>451,666</u>	<u>2,676,515</u>

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION For the Nine month period ended 30 September 2021 (unaudited)

25. DIVIDEND

At the annual general meeting held on 18 April 2021, the Shareholders approved a cash dividend of 8.25 fils per share. Dividend for ordinary shares is amounting to AED 98.04 million for 2020 (2020: AED 35.65 million for 2019).

26. SUBSEQUENT EVENTS

Bank balance attachment

As described in note 20, subsequent to 30 September 2021, a further AED 0.6 million of bank balances were attached.

27. FINANCIAL REGULATIONS

As per Article (8) of Section 2 of the financial regulations issued for insurance companies in UAE, as at 30 September 2021, the Company has a solvency deficit (Solvency Capital Requirement (SCR) Solvency Margin - Deficit). The Company is in the process preparing the plan to meet the solvency requirements.

28. APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The condensed consolidated interim financial information were approved by the Board of Directors and authorised for issue on 14 November 2021.