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

REPORT OF THE BOARD OF DIRECTORS, INDEPENDENT AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

Consolidated financial statements
31 December 2023

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Report of the Board of Directors

SALAMA's Board of Directors is pleased to present the 44th board of directors' report, along with audited consolidated financial statements for the year ended on December 31, 2023.

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 offerings solutions that drive growth.

Insurance and Takaful Sector in UAE

Anticipated growth in the UAE's insurance sector remains promising in the foreseeable future, driven by several factors including the expanding non-oil sector, burgeoning population, rising demand for insurance offerings, and the UAE's ongoing economic diversification efforts. However, alongside this growth trajectory come challenges, as numerous firms vie for market dominance and seek avenues to enhance profitability. Positioned as the foremost Takaful insurance provider in the region and the largest Takaful company in the UAE, Salama is primed to capitalize on this growth momentum. Leveraging its digital platform and comprehensive suite of Takaful insurance products and services, Salama is strategically positioned to seize opportunities within the evolving insurance landscape.

Change in Accounting Standard

IFRS 17 replaces IFRS 4 as a new reporting standard and sets out principles for the recognition, measurement, presentation, and disclosure of insurance contracts.

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

Company Performance

SALAMA, subsidiaries and associates exhibited steady performance within their respective markets throughout 2023, marked notably by a reported 20% growth in insurance revenue compared to the previous year reaching AED 1.11 billion. The Family Takaful portfolios maintained steady profitable performance while the General and Health Takaful portfolios were adversely impacted mainly by high claims. In 2023, the company found it necessary to make provisions of AED 28.02m against the irrecoverable reinsurance share related to a large Fire claim. Additionally, the devaluation of the Egyptian pound against the UAE Dirham and prevailing inflation rates in Egypt compelled the company to undertake a goodwill impairment totaling AED 49m from its Subsidiaries primarily in Egypt.

Furthermore, 2023 profits were impacted by unrealized losses incurred on shareholder investments of AED 71.2m and 12.01m against provisions taken for credit loss on the other investments and receivables respectively as part of IFRS 9. As a result of the aforementioned factors, the company has incurred a loss of AED 139.3 million. Prior to these adjustments, the company would have recorded profits of AED 20.9 million.

In terms of shareholders' investments in 2023, investment income increased from AED 40.66 million in 2022 to AED 79.53 million.

The company recorded a total asset of AED 3,614 million, total liabilities of AED 2,956 million and total equity of AED 657 million.

The Net cash used in operating activities (2023) was AED +117.6 million, Cash used in investing activities (2023) was AED -103.24 million, and Cash used in financing activities (2023) was AED -3.350 million. Cash and Cash Equivalent at the end of the year (2023): AED +125.08 million.

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 InsureTek International Conference & Golden Shield Excellence Awards 2023. Overall SALAMA has won a total of 10 Awards.

- 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 2023
- Trusted partner Award by Dubai Health Authority in 2023
- Best Online Insurance Company UAE 2023 at 2023 Global Banking & Finance Awards®
- Best Takaful Solutions Provider Brand at GLOBAL BRANDS AWARDS 2023
- Most Innovative Takaful Solution Provider at World Business Outlook Awards 2023
- Leading Takaful provider in UAE Award by World Business Outlook Awards 2023
- Best Omnichannel Customer Happiness Initiative at Customer Happiness Summit & Awards 2023
- Unskilled labor category award by Ministry of Human resources and Emiratization

Growth and Expansion

Salama is committed to pursuing prudent growth while maintaining underwriting discipline. We plan to grow our Family and General Takaful to meet our customers current and future insurance need by leveraging investment in IT and automation to streamline the customers' journey. Salama has made investments in its digital platform and intends to continue doing so in order to fully leverage its potential. This ongoing investment aims to enhance the accessibility to Salama's digital platform, making it more convenient for both partners and clients to engage in business transactions with the company.

Capital Reduction

In March 2023, the company successfully completed a share capital reduction of AED 270.4 million from AED 1,210 million to AED 939 million to offset accumulated losses as of year-end 2021.

Audit Qualifications

The company's Board and Management have been working diligently to address the Audit Qualification. The legal cases relating to the qualifications are ongoing. Any major development relating to the qualifications will be disclosed accordingly.

Concluding Remarks

The successful implementation of IFRS 17 represents a significant milestone for SALAMA, signaling its readiness to embrace change and adapt to evolving regulatory requirements. Moving forward, Salama remains committed to investing in IT and automation to streamline the customers' journey while striving to strengthen its balance sheets, resolving audit qualifications, and addressing all legacy issues.

The Board of Directors wishes to express sincere gratitude to clients, reinsurers, regulators, and all other partners for their continuous support. We also extend our appreciation to management and staff across all subsidiaries for their unwavering dedication and contributions.

Board of Directors

Mr. Saeed Mubarak Al-Hajeri – Chairman
H.E. Mohammed Ahmad Al Shehhi – Vice Chairman
Mr. Ahmad Al Sadah – Board Member
Mr. Saeed Al Qassimi – Board Member
Mrs. Maha Abdul Majeed Al- Fahim – Board Member
Mr. Fareed Lutfi Ali Hussain – Board Member

On Behalf of the Board

Mr. Saeed Mubarak Al-Hajeri
Chairman of the Board of Directors
March 29, 2024

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INDEPENDENT AUDITOR'S 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 2023, 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 material accounting policy information.

In our opinion, except for the possible 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 2023, 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 145,376 thousand (2022: AED 143,776 thousand), investments which are carried at AED 394,062 thousand (2022: AED 492,961 thousand) and other assets and receivables which are carried at AED 114,033 thousand (2022: AED 106,343 thousand). The aforementioned assets include:

- Investment property with a carrying amount of AED 84,957 thousand (2022: AED 84,957 thousand) (note 7);
- Investment at fair value through other comprehensive income of AED 58,244 thousand (2022: AED 58,244) and investments held at amortised cost of AED 111,627 thousand (2022: AED 111,627 thousand) (note 11); and
- Other receivables with a carrying amount of AED 33,639 thousand (2022: AED 33,639 thousand) (note 16).

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 disclosed in note 31 to the consolidated financial statements. The audit opinion on the consolidated financial statements for the year ended 31 December 2022 was also qualified in respect to this matter.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated 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 consolidated 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.

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

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 our 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 Matter	How our audit Addressed the Key Audit Matter
Transition to IFRS 17 During the year, the Group has adopted IFRS 17 "Insurance Contracts" (IFRS 17), which replaces IFRS 4 "Insurance Contracts", and is effective for annual periods beginning on or after 1 January 2023, with early adoption permitted. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with direct participation features. With the adoption of IFRS 17, the valuation of insurance and reinsurance contracts is based on forward looking information and has higher degrees of subjectivity, estimation, and complexity. The adoption of this standard has had a significant impact on the reported financial position and performance of the Group. Due to complexity and the significant judgements applied and estimates made in determining the impact of IFRS 17, this is considered to be a key audit matter. The Group has recorded the impact as of the transition date of 1 January 2022 within retained earnings and disclosed in note 4.1 to the consolidated financial statements.	In order to test the overall transition impact of IFRS 17, we performed the following procedures: • We obtained an understanding of the impact of the Group's adoption of IFRS 17 and identified internal controls, including entity level controls, adopted by the Group for the accounting process and system for the adoption of the new accounting standard. • Assessed the Group's methods, assumptions and accounting policies adopted under IFRS 17 with the assistance of our actuarial and accounting specialists. • Reviewed contract boundaries, performed separation of contracts, measurement model determination, eligibility assessment and testing of calculation of liabilities and assets under IFRS 17; • Reviewed the transition approach to IFRS 17 (full retrospective approach for General business, Fair value approach for Life business) adopted by the Group • Performed testing of models and assumptions used for the calculation of future cashflows, economic assumptions, risk adjustment, Unit of account etc. • On sample basis, reviewed the actuarial policyholder data used to generate the IFRS 17 actuarial results and evaluated the data used in the actuarial calculations and compared it to source documentation. • Assessed the adequacy of the transition and accounting policies disclosures in relation to IFRS 17 made in the consolidated financial statements.

Key audit matters (continued)

<table>
<tr><th>Key Audit Matter</th><th>How our audit Addressed the Key Audit Matter</th></tr>
<tr><td><u>Accounting for takaful revenue for contracts measured under Premium Allocation Approach (PAA)</u>

During the year ended 31 December 2023, the Group has recorded takaful revenue from contracts measured under PAA amounting to AED 958,482 thousand (2022: AED 756,470 thousand) (note 26).

The Group has applied the PAA measurement model for its General and Group life products after conducting eligibility tests based on factors stated in IFRS 17. Under PAA, the revenue recognition follows a simplified approach where the revenue recorded is gross written premiums less movement in gross unearned premiums.

The occurrence for takaful revenue for contracts measured under PAA can be overstated by changing the policy start/end dates whereby the policy starting post year end is recorded in the current year to improve profitability/ loss ratios or recording policies with overstated premiums. This can result in overstatement of takaful revenues and takaful receivables.

Due to the complexities involved and risk of overstatement, this matter is to be considered as a key audit matter.</td><td>The work that we performed to address this key audit matter included the following procedures:
• We performed walkthrough of the revenue process and control testing over PAA premium underwriting and recording;
• We engaged our actuarial specialists to review the methodology, assumptions and other key inputs and to test a sample of the calculations within the actuarial balances;
• For a sample of revenue items that are recognized during the year, we performed the following;
    o Agreed to appropriate supporting documentation which included agreeing the policy premium and the agreed brokerage commission percentage to the signed slip for the policy; and
    o Traced the policies recorded to the underlying contracts.
• Agreed the contribution expected in subledger(s) and/or reserving models to the general ledger control accounts, investigated any unusual items and tested other reconciling items based on the established testing threshold;
• For revenue cut-off, we selected a sample of transactions close to the year end, and reviewed the policy inception dates for the revenue recognized to ensure that revenue is recorded in the correct period; and
• Performed testing on the determination of liability for remaining coverage (LRC) and associated movements.</td></tr>
</table>

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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
<u>Valuation of takaful contract liabilities, takaful contract assets, retakaful contract assets and retakaful contract liabilities</u> As at 31 December 2023, takaful contract liabilities, retakaful contract assets, takaful contracts assets and retakaful contract liabilities amounted to AED 2,543,428 thousand, AED 348,462 thousand, AED 6,801 thousand, 162,050 thousand respectively (note 13). The Group adopted the PAA model to value its general takaful and short-term life contracts. The Group adopted the General Measurement Model and Variable Fee Approach models to value its long-term life contracts. Any misstatement in relation to valuation of takaful contract liabilities would affect the liabilities under takaful contracts and related income statement accounts. Based on the above factors which involves significant judgements and estimation, this is to be considered as a key audit matter.	The work that we performed to address this key audit matter, included the following procedures: • We obtained an understanding of the Group's process for determining the key actuarial assumptions;; • Performed risk assessment on the assumptions (economic and non-economic) and assessed the management's approach to deriving these assumptions; • Reviewed the method used by management in deriving the key assumptions by benchmarking to other market data. ; • On sample basis, performed claims testing on incurred claims to supporting documents such as reports from loss adjusters and confirmations obtained from lawyers; • We engaged our EY actuarial specialists to review the methodology, assumptions and other key inputs and to test a sample of the actuarial balances; • Evaluated the skills, qualifications, and competence of the Group's appointed actuary; • Assessed the management's determination of the split of expenses between qualifying and non-qualifying expenses by considering the nature of the expenses; • Reviewed management's analysis of changes in the reserves and tested the rationale given for key changes year on year; • Obtained an understanding of management's approach to determining the risk adjustment and evaluated that the approach used and derived risk adjustment are in line with the IFRS requirement; • Tested the application of the risk adjustment in management's models. • On a sample basis, developed a point estimate or range based on our understanding of the Group's business, and evaluated the differences between management's point estimate and our point estimate or range. • We assessed the disclosures in the consolidated financial statements relating to this matter against the requirements of IFRS.

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Key audit matters (continued)

Key Audit Matter	How our audit Addressed the Key Audit Matter
Valuation of goodwill As at 31 December 2023, the carrying value of goodwill amounted to AED 65,633 thousand (2022: AED 114,640 thousand) which has arisen from historic acquisitions made by the Group. During the year, the Group has recorded an impairment of AED 49,007 thousand (2022: AED nil) on the same (note 6). 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 the 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.	The work that we preformed to address this key audit matter included the following procedures: • We obtained from the management the goodwill valuation performed and external consultant's report on the same; • Evaluated the key assumptions used in the impairment model for goodwill, specifically the operating cash flow projections, discount rates, and long term growth rates; • Evaluated the key assumptions relating to revenue growth and loss ratios/operating margin used for estimating cash flow projections in the impairment testing by looking at the historic performance; • Compared these assumptions to externally derived data (where applicable) as well as forming our own assessment; • Engaged our internal 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; • We also considered the adequacy of the Group's disclosures in respect of its goodwill impairment testing.

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 Director's 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 Decree Law No. (32) of 2021, Federal Decree Law No. 48 of 2023 regarding the regulation of Insurance activities, Central Bank of the UAE Board of Directors' Decision No. (26) of 2014 pertinent to the Financial Regulations for Takaful Insurance Companies, 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.

Auditor's 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 auditor's 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 auditor's 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 AUDITOR'S 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 Decree Law No. 32 of 2021, except for the possible effects of the matters referred to in the *Basis for qualified opinion* section of our report, we report that for the year ended 31 December 2023:

i) the Company 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 Decree 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 Company;

v) as disclosed in note 11 to the consolidated financial statements, the Company has investment in securities as at 31 December 2023;

vi) note 15 to the consolidated financial statements discloses material related party transactions and balances, and the terms under which they were conducted;

vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2023 any of the applicable provisions of the UAE Federal Decree 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 2023; and

viii) the Company has no social contributions made during the year.

Further, as required by the Federal Decree Law No. 48 of 2023 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.

Further, refer note 38 to the consolidated financial statements for disclosure on solvency requirements and the solvency position of the Group.

For Ernst & Young

Signed by:
Walid Joseph Nakfour
Partner
Registration No. 5479

30 March 2024

Dubai, United Arab Emirates

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2023

	Notes	***31 December 2023 AED'000***	*31 December 2022 AED'000 (Restated*)*	*1 January 2022 AED'000 (Restated*)*
ASSETS				
Property and equipment	5	**47,382**	34,467	36,480
Goodwill and intangibles	6	**68,016**	117,819	117,772
Investment properties	7	**145,376**	143,776	142,055
Right-of-use assets	8	**4,595**	8,734	4,426
Investment in associate	9	**35,352**	35,188	34,447
Statutory deposits	10	**283,526**	269,111	239,649
Investments	11	**394,062**	492,961	559,066
Participants' investments in unit-linked contracts	11	**2,020,883**	1,948,146	2,396,075
Deposits with takaful and retakaful companies	12	**974**	1,347	2,387
Takaful contract assets	13	**6,801**	-	6,812
Retakaful contract assets	13	**348,462**	281,846	339,678
Other assets and receivables	16	**114,033**	106,343	74,784
Bank balances and cash	17	**144,179**	133,445	109,321
Restricted bank balances		**-**	-	258,469
TOTAL ASSETS		**3,613,641**	3,573,183	4,321,421
LIABILITIES				
Family takaful reserve		**77,160**	54,770	39,757
Takaful contract liabilities	13	**2,543,428**	2,366,360	2,986,190
Retakaful contract liabilities	13	**162,050**	185,201	198,195
Short term borrowings		**-**	-	25,000
Other payables and accruals	18	**169,098**	141,759	209,311
Lease liabilities	8	**4,695**	8,821	4,639
Total liabilities		**2,956,431**	2,756,911	3,463,092
EQUITY				
Share capital	20	**939,589**	1,210,000	1,210,000
Treasury shares	21	**(35,972)**	(35,972)	(35,972)
Statutory reserve	22	**2,815**	104,077	101,262
Other reserves	23	**(154,533)**	(160,133)	(136,131)
Accumulated losses		**(163,924)**	(371,913)	(357,883)
Equity attributable to Owners of the Company		**587,975**	746,059	781,276
Non-controlling interest	24	**69,235**	70,213	77,053
Total equity		**657,210**	816,272	858,329
TOTAL LIABILITIES AND EQUITY		**3,613,641**	3,573,183	4,321,421

*Comparative information has been restated on account of first-time adoption of IFRS 17 and IFRS 9 (refer note 4).
These consolidated financial statements were authorised for issue and approved by the Board of Directors on 29 March 2024 and signed on their behalf by:

Saeed Alhajeri
Chairman of the Board of Directors

Walter Jopp
Chief Executive Officer

The attached notes 1 to 45 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Notes	***2023 AED'000***	*2022 AED'000 (Restated*)*
Takaful revenue	26	**1,111,005**	924,136
Takaful service expenses	27	**(1,008,996)**	(733,972)
Net expenses from retakaful contracts held		**(55,885)**	(88,147)
TAKAFUL SERVICE RESULT		**46,124**	102,017
Policyholders' investment income/(loss)	25	**199,543**	(230,434)
Shareholders' investment income	25	**79,534**	40,571
NET INVESTMENT RESULT		**279,077**	(189,863)
Takaful finance (expense)/income for takaful contracts issued	28	**(228,486)**	208,715
Retakaful finance income/(expense) for retakaful contracts held	28	**6,729**	(3,619)
NET TAKAFUL FINANCE (EXPENSE)/INCOME		**(221,757)**	205,096
NET TAKAFUL AND INVESTMENT RESULT		**103,444**	117,250
Other operating income		**10,112**	13,491
Other operating expenses	37	**(105,292)**	(86,494)
Provision for expected credit losses	36	**(83,287)**	-
Impairment of goodwill	6	**(49,007)**	-
(LOSS)/PROFIT BEFORE TAX		**(124,030)**	44,247
Income tax expense	29	**(15,297)**	(8,811)
NET (LOSS)/PROFIT AFTER TAX		**(139,327)**	35,436
Attributable to:			
Shareholders		**(158,389)**	18,895
Non-controlling interests		**19,062**	16,541
		(139,327)	35,436
Basic and diluted earnings per share (AED)	30	**(0.161)**	0.016

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2023

	Notes	***2023 AED'000***	*2022 AED'000 (Restated*)*
Net (loss)/profit after tax		**(139,327)**	35,436
OTHER COMPREHENSIVE LOSS			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods			
Net change in foreign exchange translation reserve		**(15,243)**	(50,047)
Share of other comprehensive income of associate	9	**(411)**	252
Net change in revaluation reserves	5	**14,529**	-
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods			
Net changes in fair value of investments at FVOCI		**(2,832)**	516
TOTAL OTHER COMPREHENSIVE LOSS		**(3,957)**	(49,279)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(143,284)**	(13,843)
Attributable to:			
Shareholders		**(154,393)**	(6,668)
Non-controlling interest		**11,109**	(7,175)
		(143,284)	(13,843)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	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 2023 (restated)	1,210,000	104,077	20,753	(157,049)	(27,154)	(35,972)	(371,913)	3,317	746,059	70,213	816,272
Offset of losses (note 1, 20)	(270,411)	(101,262)	-	-	-	-	371,673	-	-	-	-
IFRS 9 transition impact (note 4)	-	-	-	-	-	-	(738)	-	(738)	-	(738)
	939,589	2,815	20,753	(157,049)	(27,154)	(35,972)	(978)	3,317	745,321	70,213	815,534
Profit/(loss) for the year	-	-	-	-	-	-	(158,389)	-	(158,389)	19,062	(139,327)
Other comprehensive loss											
Net movement in foreign exchange translation reserve	-	-	-	(6,142)	-	-	-	-	(6,142)	(9,101)	(15,243)
Net changes in revaluation reserves	-	-	13,381	-	-	-	-	-	13,381	1,148	14,529
Net changes in fair value of investments	-	-	-	-	(2,832)	-	-	-	(2,832)	-	(2,832)
Share of other comprehensive loss of associate (note 9)	-	-	-	-	(411)	-	-	-	(411)	-	(411)
Total other comprehensive loss	-	-	13,381	(6,142)	(3,243)	-	-	-	3,996	(7,953)	(3,957)
Total comprehensive income/(loss) for the year	-	-	13,381	(6,142)	(3,243)	-	(158,389)	-	(154,393)	11,109	(143,284)
Other equity movements											
Board Remuneration (note 38)	-	-	-	-	-	-	(2,377)	-	(2,377)	-	(2,377)
Surplus revaluation reserve to R/E	-	-	(16)	-	-	-	16	-	-	-	-
Foreign exchange impact on revaluation reserve	-	-	-	(576)	-	-	-	-	(576)	15	(561)
Dividend paid	-	-	-	-	-	-	-	-	-	(12,102)	(12,102)
Transfer to regulatory reserve (note 23)	-	-	-	-	-	-	(2,196)	2,196	-	-	-
Balance at 31 December 2023	**939,589**	**2,815**	**34,118**	**(163,767)**	**(30,397)**	**(35,972)**	**(163,924)**	**5,513**	**587,975**	**69,235**	**657,210**

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

The attached notes 1 to 45 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2023

	Share capital AED'000	*Statutory reserve AED'000*	*Revaluation reserve AED'000*	*Foreign currency translation reserve AED'000*	*Investment fair value reserve AED'000*	*Treasury shares AED'000*	*Regulatory reserve AED'000*	*Accumulated losses) AED'000*	*Total AED'000*	*Non-controlling interests AED'000*	*Total AED'000*
At 31 December 2021 as previously reported	1,210,000	101,262	20,753	(130,718)	(27,922)	(35,972)	1,756	(371,672)	767,487	75,681	843,168
Impact of initial application of IFRS 17 (note 4)	-	-	-	-	-	-	-	13,789	13,789	1,372	15,161
*Restated balance as on 1 January 2022	1,210,000	101,262	20,753	(130,718)	(27,922)	(35,972)	1,756	(357,883)	781,276	77,053	858,329
Profit for the year (restated)	-	-	-	-	-	-	-	18,895	18,895	16,541	35,436
Other comprehensive loss											
Net movement in foreign exchange translation reserve	-	-	-	(26,331)	-	-	-	-	(26,331)	(23,716)	(50,047)
Investments carried at FVTOCI net change in fair value	-	-	-	-	516	-	-	-	516	-	516
Share of other comprehensive income of associate (note 9)	-	-	-	-	252	-	-	-	252	-	252
Total other comprehensive loss	-	-	-	(26,331)	768	-	-	-	(25,563)	(23,716)	(49,279)
Total comprehensive loss for the year	-	-	-	(26,331)	768	-	-	18,895	(6,668)	(7,175)	(13,843)
Other equity movements											
Board Remuneration	-	-	-	-	-	-	-	(4,800)	(4,800)	-	(4,800)
Capital increase	-	-	-	-	-	-	-	-	-	838	838
Dividend paid (note 38)	-	-	-	-	-	-	-	(23,747)	(23,747)	(503)	(24,250)
Transfer to regulatory reserve (note 23)	-	-	-	-	-	-	1,561	(1,561)	-	-	-
Transfer to statutory reserve (note 22)	-	2,815	-	-	-	-	-	(2,815)	-	-	-
Restated balance at 31 December 2022	1,210,000	104,077	20,753	(157,049)	(27,154)	(35,972)	3,317	(371,913)	746,059	70,213	816,272

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

The attached notes 1 to 45 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2023

	Notes	***2023 AED'000***	*2022 AED'000 (Restated*)*
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss)/profit before tax		**(124,030)**	44,247
Adjustments for:			
Depreciation on property and equipment	5	**2,756**	3,246
Depreciation on right of use assets	8	**2,598**	2,564
Amortisation of intangible assets	6	**1,854**	1,530
Share of profit from associate	9	**(1,805)**	(1,720)
Impairment of goodwill	6	**49,007**	-
Unrealised (gain) / loss on investment	25	**(84)**	(6,795)
Unrealised gain on investment properties	25	**(3,599)**	(9,171)
Allowance for expected credit losses		**83,287**	-
Impairment on takaful receivables		**30,175**	3,956
Operating cash flows before changes in operating assets and liabilities		**40,159**	37,857
Decrease in deposits with takaful and retakaful companies	12	**373**	1,040
Changes in takaful contract assets	13	**(6,801)**	6,812
Change in retakaful contract assets	13	**(66,616)**	57,832
Changes in takaful contract liabilities	13	**146,893**	(619,830)
Change in retakaful contract liabilities	13	**(23,151)**	(12,994)
Change in other assets and receivables	17	**(7,690)**	(31,559)
Change in family reserves	14	**22,390**	15,013
Change in other payables	18	**17,142**	(70,008)
Income tax paid		**(5,100)**	(6,355)
Net cash generated from /(used in) operating activities		**117,599**	(622,192)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment - net	5	**(500)**	(1,987)
Purchase of intangible assets - net	6	**(1,025)**	(1,775)
Purchase of investment property - net	7	**-**	(233)
Net movement in statutory deposits	10	**(14,415)**	(29,462)
Repayment of principal and interest on lease liability	8	**(2,553)**	(2,949)
Dividend income from associate	9	**1,230**	1,231
Change in Investments - net	11	**(13,515)**	17,924
Net movement in Participants' investments in unit-linked contracts	11	**(72,737)**	447,929
Change in term deposits under lien	17	**270**	(4,107)
Cash (used in)/generated from investing activities		**(103,245)**	426,571
CASH FLOWS FROM FINANCING ACTIVITIES			
Net movement in non-controlling interest		**(973)**	335
Repayment of short term borrowings		**-**	(25,000)
Dividend paid		**-**	(23,747)
Board of Director's remuneration	40	**(2,377)**	(4,800)
Cash used in financing activities		**(3,350)**	(53,212)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**11,004**	(248,833)
Cash and cash equivalents at 1 January		**114,076**	104,440
Restricted cash at bank		**-**	258,469
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 17)		**125,080**	114,076

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

The attached notes 1 to 45 form part of these consolidated financial statements.

1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

Islamic Arab Insurance Co. (Salama) PJSC ("the Company") is a public shareholding company, registered in the Emirate of Dubai, United Arab Emirates (UAE) and operates through various branches in the UAE. The registered office of the Company is P.O. Box 10214, Dubai, United Arab Emirates. The principal activity of the Company is the writing of all classes of general takaful and family takaful business, in accordance with Islamic Shari'ah principles and in accordance with the relevant Articles of the Company, UAE Federal Decree Law No. (32) of 2021 for commercial companies and U.A.E. Federal Law No. 48 of 2023, concerning regulations of insurance activities.

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

Subsidiaries	Principal activities	Group's ownership *2023*	*2022*	Country of Incorporation
Directly owned				
Tariic Holding Company B.S.C	No operations, holding company	**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

On 16 January 2023, in the General Assembly Meeting the Shareholders' have approved to write off the accumulated losses of AED 371,673 thousand. These accumulated losses were set off during the year against the following components of equity:

- Cancellation of 270,414,470, AED 1 shares on 24 March 2023 (note 20);
- Accumulated losses of AED 101,262 thousand were set off against statutory reserves (note 22).

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

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

- IFRS 17 – Insurance Contracts (refer note 4)
- Definition of Accounting Estimates - Amendments to IAS 8
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
- International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12. The amendments had no impact on the Group's consolidated financial statements as the Group is not in scope of the Pillar Two model rules as its revenue is less that EUR 750 million/year.

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

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

New and revised IFRS Accounting Standards in issue but not yet effective and not early adopted

New and revised IFRS Accounting Standards	*Effective for annual periods beginning on or after*
Amendments to IFRS 16 on lease liability in a sales and lease back	1 January 2024
Amendments to IAS 1 Presentation of Financial Statements - Classification of Liabilities as Current or Non-Current	1 January 2024
Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures—Supplier Finance Arrangements	1 January 2024

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

3 BASIS OF PREPARATION

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 Decree Law No. 32 of 2021, the United Arab Emirates (U.A.E.) Federal Law No. 48 of 2023 on Establishment of Insurance Authority and Organization of its Operations as amended and the Central Bank of UAE (formerly the UAE Insurance Authority) Board of Directors' Decision No. (26) of 2014 pertinent to the Financial Regulations for Insurance Companies. The consolidated financial statements comply with International Financial Reporting Standards (IFRS).

Basis of measurement

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

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

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 BASIS OF PREPARATION (continued)

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2023. 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.

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.

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 IFRS 9 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 2023 are mentioned in Note 1.

3 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)
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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) 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.

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

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 IFRS 9, 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) 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.

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 IFRS 9. 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.

c) 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) 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.

e) Dividend income

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

f) 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.

g) 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.

h) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period. The tax currently payable is calculated in accordance with fiscal regulations of Algeria and Egypt.

Deferred tax
Deferred tax is recognised on temporary differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary differences arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year
Current and deferred tax are recognised in the consolidated statement of profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) 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.

j) Employee benefits

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.

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.

k) 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Property and equipment (continued)

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.

l) 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).

m) 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) 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.

o) 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.

p) 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 19).

q) 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Leases (continued)

The Group as lessee (continued)
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. 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Leases (continued)

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 Group applies IFRS 15 to allocate consideration under the contract to each component.

r) Financial Instruments

Investments and other financial assets
Classification
The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVTOCI). Group reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition
Regular way purchases and sales of financial assets are recognised on the trade date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or the Company has transferred substantially all the risks and rewards of the asset or the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Measurement
At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

r) Financial Instruments (continued)

Investments and other financial assets (continued)
Measurement (continued)
Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is calculated using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in 'Net investment income' together with foreign exchange gains and losses. Impairment losses are included within 'Net investment income' in the consolidated statement of profit or loss.

- FVTOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Net investment income'. Interest income from these financial assets is calculated using the effective interest rate method. Foreign exchange gains and losses are presented in 'Net investment income'.

- FVTPL: Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in the consolidated statement of profit or loss and is presented net within 'Net investment income' in the period in which it arises.

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss within 'Net investment income' when the Group's right to receive payments is established. Changes in the fair value of financial assets at FVTPL except for unit linked investments are recognised in 'change in fair value of financial investments at FVTPL' included within 'Net investment income'. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

Impairment
The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Group's financial assets are subject to the expected credit loss model.

For other receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The expected loss rates are based on the historical credit losses experienced. Other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the probability of insolvency or significant financial difficulties of the debtor.

Debt investment and other instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

The impairment charge for debt investments at FVTOCI is recognised in profit or loss and reduces the fair value loss otherwise recognised in OCI.

Other receivables
Other receivables are recognised initially at fair value and subsequently are measured at amortised cost using the effective interest method, less impairment provision. The Group holds the other receivables with the objective to collect the contractual cash flows.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

r) Financial Instruments (continued)

Financial liabilities
The Group recognises a financial liability when it first becomes a party to the contractual rights and obligations in the contract.

All financial liabilities are initially recognised at fair value, minus (in the case of a financial liability that is not at FVTPL) transaction costs that are directly attributable to issuing the financial liability. Financial liabilities are measured at amortised cost, unless the Group opted to measure a liability at FVTPL.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Financial liabilities included in insurance and other payables are recognised initially at fair value and subsequently at amortised cost. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

Offsetting of financial assets and liabilities
Financial assets and liabilities are offset and reported net in the consolidated statement of financial position only when there is a legally enforceable right to set off the recognised amounts and when the Group intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Cash and cash equivalents
For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value.

Deposits with banks with original maturities of more than three months
Deposits held with banks with original maturities of more than three months are initially measured at fair value and subsequently measured at amortised cost. Deposits held with banks are within the scope of IFRS 9 expected credit loss calculation for the assessment of impairment.

Investment contract Liabilities
Investment contract liabilities are recognized when contracts are entered into, and premiums are charged. These liabilities are initially recognized at fair value, being the transaction price excluding any transaction costs directly attributable to the issue of the contract. Subsequent to initial recognition, investment contract liabilities are measured at fair value through profit or loss. Deposits and withdrawals are recorded directly as an adjustment to the investment contract liabilities recorded in the Statement of Financial Position and are not recognised in the Statement of Comprehensive Income. Fair value adjustments are performed at each reporting date and are recognised in the Statement of Comprehensive Income in “Net investment result”.

Unit-linked investment contracts
These represent portfolios maintained to meet the specific investment objectives of contract holders who bear the credit, interest rate, market and liquidity risks related to the investments. The liabilities are carried at fair value, which is determined by reference to the underlying financial assets. Changes in fair value are recorded in the profit and loss. Related assets for unit-linked investment contracts are designated at fair value through profit or loss in order to reduce measurement inconsistencies.

The costs of policy administration, asset management, surrender charges and certain contract holders’ taxes assessed against the contract holders’ account balances are recovered as policy fees and are recognised in the Statement of Comprehensive Income.

s) 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1 Change in Accounting Policies

The Group has adopted IFRS 17 Insurance Contracts ("IFRS 17"), which replaces IFRS 4 Insurance Contracts ("IFRS 4"), from 1 January 2023. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts covering all relevant accounting aspects. Along with IFRS 17, the Group has also adopted IFRS 9 Financial Instruments.

The Group has applied the following significant accounting policies in the preparation of financial statement on the effective date of this Standard i.e., 01 January 2023:

IFRS 17 Insurance Contracts
An insurance contract is a contract under which one party (the issuer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

The Group issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk. The Group issues life and non-life insurance to individuals and businesses.

In the normal course of business, the Group uses reinsurance to mitigate its risk exposures. A reinsurance contract transfers significant risk if it transfers substantially all of the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss. All references to insurance contracts in the consolidated financial statements apply to insurance contracts issued or acquired and reinsurance contracts held unless specifically stated otherwise.

Changes to classification and measurement
IFRS 17 establishes specific principles for the recognition, measurement, presentation and disclosure of insurance contracts issued and reinsurance contracts held by the Group. The Group uses different measurement approaches, depending on the type of contracts, as follows:

Nature of Contracts	***Product classification***	***Measurement model***
Unit Linked	*Insurance contracts*	*Variable Fee Approach ("VFA")*
Term Life	*Insurance contracts*	*General Measurement Model ("GMM")*
Group Life – Short Term	*Insurance contracts*	*Premium Allocation Approach ("PAA")*
Group Life – Long Term	*Insurance contracts*	*General Measurement Model*
Engineering	*Insurance contracts*	*Premium Allocation Approach*
Fire	*Insurance contracts*	*Premium Allocation Approach*
General Accident	*Insurance contracts*	*Premium Allocation Approach*
Liabilities	*Insurance contracts*	*Premium Allocation Approach*
Marine	*Insurance contracts*	*Premium Allocation Approach*
Motor	*Insurance contracts*	*Premium Allocation Approach*
Health	*Insurance contracts*	*Premium Allocation Approach*
All reinsurance contracts held other than long term individual and Group life	*Reinsurance contracts held*	*Premium Allocation Approach*
Long term individual and Group life reinsurance contracts held	*Reinsurance contracts held*	*General Measurement Model*

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1 Change in Accounting Policies (continued)

IFRS 17 Insurance Contracts (continued)

Changes to classification and measurement (continued)
The key principles of IFRS 17 under the different measurement models, where applicable, are that the Group:

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1 Change in Accounting Policies (continued)

IFRS 17 Insurance Contracts (continued)

Changes to presentation and disclosure

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

In addition, IFRS 17 requires more granular and detailed disclosures to provide information on the composition and movements of the amounts recognized in the financial statements that arise from insurance contracts in the form of roll forward and reconciliation tables. The Group presents the following line items separately in the statement of financial position as required under IFRS 17:

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

The carrying amount of an insurance contract asset / liability is the sum of the liability of remaining coverage and the liability for incurred claims. Reinsurance contracts held that are either assets or liabilities, comprise liability for remaining coverage and liability for incurred claims that correspond to the ceded business. The line-item descriptions in the profit or loss and other comprehensive income have been changed significantly compared with prior year. Previously the Group reported the following line items:

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

Instead, IFRS 17 requires separate presentation of:

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1 Change in Accounting Policies (continued)

IFRS 17 Insurance Contracts (continued)

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

Level of Aggregation
While deciding on the portfolio level under IFRS 17, the Group has considered the criteria of "similar risk and managed together" while taking into account the materiality of each product/portfolio. In grouping insurance contracts into portfolios, the Group considers the similarity of risks rather than the specific labelling of product lines.

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

Recognition
Groups of insurance contracts issued are initially recognised from the earliest of the following:

- the beginning of the coverage period.
- the date when the first payment from the policyholder is due or actually received, if there is no due date; or
- when the Group determines that a group of contracts becomes onerous.

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1 Change in Accounting Policies (continued)

IFRS 17 Insurance Contracts (continued)

Measurement

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

	Applicable Measurement Model	**IFRS 17 options**	**Adopted approach**
Insurance acquisition cash flows	PAA	In applying the premium allocation approach, an entity may choose to recognize any insurance acquisition cash flows as expenses when it incurs those costs, provided that the coverage period of each contract in the group at initial recognition is no more than one year.	Group currently amortizes acquisition cash flows for all lines expected to be measured using the PAA. The company will use the same approach under IFRS 17 as this would not only ensure consistency with current practice but would also be consistent with the treatment under GMM.
LRC adjusted for financial risk and time value of money	PAA	The entity is not required to adjust the carrying amount of the liability for remaining coverage to reflect the time value of money and the effect of financial risk if, at initial recognition, the entity expects that the time between providing each part of the services and the related premium due date is no more than a year.	The expected delay between provision of services and receipt of payment is small for contracts eligible to be run under the PAA. Hence, the Company does not expect significant financing component for LRC for these contracts.
LIC adjusted for time value of money	PAA	In applying PAA, an entity may choose to not adjust future cash flows for Liability of Incurred Claims (LIC) for the time value of money and the effect of financial risk if those cash flows are expected to be paid or received in one year or less from the date the claims are incurred.	For the majority of insurance contracts (except for medical and short-term Group Life) written by the Group, a significant portion of the claims is settled beyond 12 months from the date of loss. Accordingly, the Group has decided to discount the LIC computed under the PAA approach.
Insurance finance income and expense	All	IFRS 17 provides an accounting policy choice to an entity may decide to include insurance finance income/expense either in the P&L or systematically allocate it between P&L and OCI.	The Group has made an accounting policy choice to account for the insurance finance income or expenses in P&L instead of disaggregating it between P&L and OCI.
Disaggregation of risk adjustment	All	The Company can choose the option not to disaggregate the entire change in the risk adjustment for non-financial risk in the insurance service result. Or it can choose to split the amount between the insurance service result and insurance finance income or expenses.	For short term contracts, the Company has decided not to disaggregate the changes in the risk adjustment between the changes due to financial risks and non-financial risks, since, material impact of discounting on risk adjustment is not expected since most of the business is short tailed. For longer term, the company has decided to disaggregate the changes in the risk adjustment between the changes due to financial risks and non-financial risks.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1 Change in Accounting Policies (continued)

IFRS 17 Insurance Contracts (continued)

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

	Applicable Measurement Model	IFRS 17 options	Adopted approach
Presentation of income / (expense) from reinsurance contracts held	All	IFRS 17 allows options in presenting income or expenses from reinsurance contracts held, other than insurance finance income or expenses. An alternative would be to gross up this single amount and present separately the amounts recovered from the reinsurer (as income) and an allocation of the premiums paid (as reinsurance expenses) in line items separate from insurance revenue and insurance service expenses.	The Group elected to present the Net expenses from reinsurance contracts held as one line-item.

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

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

For a group of contracts that is not onerous at initial recognition, the Group measures the liability for remaining coverage as:

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1 Change in Accounting Policies (continued)

IFRS 17 Insurance Contracts (continued)

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

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

Insurance contracts measured other than PAA - Initial and Subsequent Measurement
The Group measures a group of contracts on initial recognition as the sum of the expected fulfilment cash flows within the contract boundary and the contractual service margin representing the unearned profit in the contracts relating to services that will be provided under the contracts. Fulfilment cash flows comprise unbiased and probability-weighted estimates of future cash flows, discounted to present value to reflect the time value of money and financial risks, plus a risk adjustment for non-financial risk.

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1 Change in Accounting Policies (continued)

IFRS 17 Insurance Contracts (continued)

Insurance contracts measured other than PAA - Initial and Subsequent Measurement (continued)
The changes in fulfilment cash flows relating to future service that adjust the CSM comprise of:

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1 Change in Accounting Policies (continued)

IFRS 17 Insurance Contracts (continued)

Reinsurance contracts held (continued)
A group of reinsurance contracts held is recognised at the earlier of the following:

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

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

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

The Group measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues. However, they are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued. Where the Group recognises a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Group establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses.

Modification and derecognition
The Group derecognises insurance contracts when:

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1 Change in Accounting Policies (continued)

IFRS 17 Insurance Contracts (continued)

Allocation of Expenses (continued)
After the expenses were classified into attributable, partially attributable and non-attributable expenses, they are further classified into the following classes.

- Acquisition cost
- Claims related expenses
- Maintenance expenses

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1 Change in Accounting Policies (continued)

IFRS 17 Insurance Contracts (continued)

Contractual service margin (CSM) (continued)

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

Onerosity determination

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

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

Discounting

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

Time value of money

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

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

Liability for Incurred Claims

The Group will calculate the LFIC as follows:

- Best Estimate (BEL) of the fulfilment cash flows relating to incurred claims including outstanding claims, IBNR and IBNER.
- Expenses already incurred but not yet paid in relation to claims and the cost of handling incurred claims at that date.
- Adjustment for the time value of money.
- Risk adjustment for non-financial risks.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1 Change in Accounting Policies (continued)

IFRS 17 Insurance Contracts (continued)

Transition Impact

IFRS 17 requires an entity to restate the balance sheet at the transition date. This will result in significant changes to the measurement and presentation of insurance contract liabilities for historical periods. IFRS 17 standard has outlined 3 approaches under which the insurance reinsurance assets and liabilities at the transition date can be determined.

a) Full Retrospective approach (FRA)
b) Modified Retrospective approach (MRA)
c) Fair value approach (FVA)

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1 Change in Accounting Policies (continued)

IFRS 17 Insurance Contracts (continued)

Transition Impact (continued)

The line item descriptions in the statement of profit and loss have changed significantly compared to prior period reported under IFRS 4. The adoption of IFRS 17 has led to the restatement of the net profit after tax for the year ended 31 December 2022 from AED 42,462 thousand reported under IFRS 4 to a profit of AED 35,436 thousand reported under IFRS 17. Additionally, the other comprehensive loss for the year ended 31st December 2022 was AED 47,779 thousand reported under IFRS 4 changed to a loss of 49,279 thousand under IFRS 17.

31 December 2022

Financial statement caption	***As previously reported AED '000***	***Restated Amount AED '000***	***Effect of IFRS 17 adoption AED '000***
Assets			
Takaful contract assets	291,287	-	(291,287)
Retakaful contract assets	385,356	281,846	(103,510)
Other assets	232,649	106,343	(126,306)
Liabilities			
Takaful contract liabilities	(3,016,380)	(2,366,360)	650,020
Retakaful contract liabilities	-	(185,201)	(185,201)
Other payables and accruals	(259,445)	(141,759)	117,686
Equity			
Accumulated Losses	(376,447)	(371,913)	4,534
Foreign exchange translation reserves	(156,723)	(157,049)	(326)
Non-controlling interests	67,788	70,213	2,425
Total	**(465,382)**	**(458,749)**	**6,633**

31 December 2021

Financial statement caption	*As previously reported AED '000*	*Effect of Restated Amount AED '000*	*IFRS 17 adoption AED '000*
Assets			
Takaful contract assets	213,404	6,812	(206,592)
Retakaful contract assets	398,139	339,678	(58,461)
Other assets	256,354	74,784	(181,570)
Liabilities			
Takaful contract liabilities	(3,503,331)	(2,986,190)	517,141
Retakaful contract liabilities	-	(198,195)	(198,195)
Other payables and accruals	(391,906)	(249,071)	142,835
Equity			
Accumulated Losses	(371,672)	(357,884)	13,788
Non-controlling interests	75,681	77,053	1,371
Total	(295,991)	(280,832)	15,159

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1 Change in Accounting Policies (continued)

IFRS 9 Financial Instruments

The Group has adopted the impairment requirements of IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2023. The adoption of the impairment requirements of IFRS 9 has resulted in changes in accounting policies for impairment of financial assets. The Group has applied the transition provisions in IFRS 9 and effects the of adopting the standards on the consolidated financial statements on 1 January 2023 is presented in the statement of changes in equity.

The effects of adopting these standards on the interim condensed consolidated financial statements on 1 January 2023 is presented in the statement of changes in equity since IFRS 9 permits but does not require restatement of comparative periods, and prohibits companies from applying IFRS 9 to financial assets derecognized in the comparative period. The Group recorded an impairment allowance at 1 January 2023 on financial assets amounting to AED 738 thousand as a result of first time adoption of IFRS 9.

1 January 2023	***Measurement under IAS 39 AED'000***	***Classification AED'000***	***IFRS 9 ECL AED'000***	***Amount under IFRS 9 AED'000***
Financial Assets				
Statutory Deposits	269,111	-	(10)	269,101
Investments -Financial assets at fair value through profit or loss	14,858	-	-	14,858
Investments -Available-for-sale investments	64,019	(64,019)	-	-
Investments - Financial instruments at FVOCI	-	96,005	(56)	95,949
Investments - Held to maturity	414,084	(414,084)	-	-
Investments at Amortized Cost	-	382,098	(298)	381,800
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
Retakafuls' share of outstanding claims	211,781	-	-	211,781
Retakafuls' share of unearned contribution	173,574	-	-	173,574
Other assets and receivables	232,649	-	(349)	232,300
Bank balances and cash	133,445	-	(25)	133,420
	3,754,300	**-**	**(738)**	**3,753,562**
Non Financial Assets	**339,984**	**-**	**-**	**339,984**
Total	**4,094,284**	**-**	**(738)**	**4,093,546**

As of 1 January 2023, the Group has classified a portion of its previously held to maturity securities, as AFS portfolio at amortised cost. These instruments met the solely payments of principal and interest (SPPI) criterion, were not actively traded and were held with the intention to collect cash flows and without the intention to sell. Change in classification as of 31 December 2021 is as below;

1 January 2022	*Measurement under IAS 39 AED'000*	*Classification AED'000*	*IFRS 9 ECL AED'000*	***Amount*** *under IFRS 9 AED'000*
Financial Assets				
Investments -Financial assets at fair value through profit or loss	59,534	-	-	59,534
Investments - Financial instruments at FVOCI	-	63,495	-	63,495
Investments at Amortized Cost	-	436,037	-	436,037
Investments -Available-for-sale investments	63,495	(63,495)	-	-
Investments -Held to maturity	436,037	(436,037)	-	-
	559,066	-	-	559,066

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Critical Accounting Judgements And Key Sources Of Estimation Uncertainty

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

In preparing this consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2022 with the exception of those relating to the measurement of insurance contracts issued and reinsurance contracts held. For these contracts, IFRS 17 is applied for annual periods beginning on or after 1 January 2023 and the key judgments and estimates applied are as below.

Assessment of significance of insurance risk
The Group applies its judgement in assessing whether a contract transfers to the issuer significant insurance risk. A contract transfers significant insurance risk only if an insured event could cause the Group to pay additional amounts that are significant in any single scenario and only if there is a scenario that has commercial substance in which the issuer has a possibility of a loss on a present value basis upon an occurrence of the insured event, regardless of whether the insured event is extremely unlikely.

CSM release pattern
The group applied significant judgements in the following aspects to the determination of CSM amounts that were recognized in profit or loss for GMM and VFA products.

The coverage units are based on the fixed death benefits in-force amounts (during the insurance coverage period) to the period in which insurance or investment management services are expected to be provided. In performing the above determination, management applied judgement that might significantly impact the CSM carrying values and amounts of the CSM allocation recognized in profit or loss for the period.

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

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

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

Time value of money
The Group adjusts the carrying amount of the insurance contracts liabilities and reinsurance contracts assets to reflect the time value of money and the effect of financial risk using discount rates that reflect the characteristics of the cash flows of the group of contracts. Under the bottom-up approach, the discount rate is determined as the risk-free yield, adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an ‘illiquidity risk premium’). The risk-free curve itself will either be derived by the Group from risk free assets in the market, or the Group may choose to apply a published risk-free yield curve. The approach starts with the determination of a reference portfolio. The reference portfolio yield will be taken as the yield to compute illiquidity risk premium which then along with risk free yield is used to calculate point in time curve.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Critical Accounting Judgements And Key Sources Of Estimation Uncertainty (continued)

Liability for Incurred Claims
The Group will calculate the LFIC as follows:

- Best Estimate (BEL) of the fulfilment cash flows relating to incurred claims including outstanding claims, IBNR and IBNER;
- Expenses already incurred but not yet paid in relation to claims and the cost of handling incurred claims at that date;
- Adjustment for the time value of money; and
- Risk adjustment for non-financial risks.

Measurement of the expected credit loss ("ECL") allowance
The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVTOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining the criteria for significant increase in credit risk;
- Determining the criteria and definition of default;
- Choosing appropriate models and assumptions for the measurement of ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

The Group regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

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.

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Critical Accounting Judgements And Key Sources Of Estimation Uncertainty (continued)

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.

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.

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.

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.

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 2022	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
Additions during the year	-	-	625	640	165	-	1,430
Foreign exchange translation	259	547	(204)	(287)	(59)	-	271
Disposals / transfer	-	-	(3)	-	-	(927)	(930)
Revaluation	1,773	8,510	-	-	-	-	10,283
At 31 December 2023	**10,813**	**32,275**	**13,911**	**8,809**	**2,196**	**443**	**68,447**
Accumulated depreciation							
At 1 January 2022	-	1,371	11,333	7,480	1,860	-	22,044
Charge for the year	-	1,328	855	933	130	-	3,246
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
Charge for the year	-	1,389	672	606	89	-	2,756
Foreign exchange translation	-	19	(206)	(297)	3	-	(466)
Eliminated upon revaluation	-	(4,151)	-	-	-	-	(4,151)
At 31 December 2023	**-**	**-**	**11,543**	**7,524**	**1,998**	**-**	**21,065**
Carrying amount							
At 31 December 2023	**10,813**	**32,275**	**2,368**	**1,285**	**198**	**443**	**47,382**
At 31 December 2022	8,781	20,475	2,416	1,241	184	1,370	34,467

5. PROPERTY AND EQUIPMENT (continued)

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 as of 31 December 2023 by an independent valuer not related to the Group. 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 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
At 1 January 2023	114,640	14,001	128,641
Additions	-	1,025	1,025
Effect of movements in exchange rates	-	64	64
At 31 December 2023	**114,640**	**15,090**	**129,730**
Accumulated amortization and impairment losses			
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
At 1 January 2023	-	10,822	10,822
Impairment on goodwill	49,007	-	49,007
Charge for the year	-	1,854	1,854
Effect of movements in exchange rates	-	31	31
At 31 December 2023	**49,007**	**12,707**	**61,714**
Net book value			
At 31 December 2023	**65,633**	**2,383**	**68,016**
At 31 December 2022	114,640	3,179	117,819

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 2023 and 2022. For impairment testing goodwill acquired through business combinations are allocated to the following subsidiaries which are considered as CGUs;

6 GOODWILL AND INTANGIBLES (continued)

	Egyptian Saudi Insurance House		*Salama Assurances Algeria*		*Total*	
	2023	*2022*	***2023***	*2022*	***2023***	***2022***
	AED'000	*AED'000*	***AED'000***	*AED'000*	***AED'000***	*AED'000*
Goodwill	**7,420**	42,196	**58,213**	72,444	**65,633**	114,640

This impairment has been made for AED 49,007 thousand this year (2022: AED nil), on account of adverse economic situation in the Egypt and Algeria i.e. currency devaluation, adverse economic growth and increased interest and inflation rates. For impairment testing, recoverable amount was based on fair value less cost of disposal using and 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 3.28 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:

	2023	*2022*
	AED'000	*AED'000*
Within U.A.E.	**12,600**	10,500
Outside U.A.E.	**132,776**	133,276
At 31 December	**145,376**	143,776

Other than the investment property in the Kingdom of Saudi Arabia amounting to AED 84,957 thousand (2022: AED 84,957 thousand) which is subject to ongoing legal case disclosed in note 31, the fair value of the Group's investments properties as at 31 December 2023 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 2023 (2022: Level 3). The rental income of properties amounts to AED 728 thousand in 2023 (2022: AED 649 thousand), 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.

	2023	*2022*
	AED'000	*AED'000*
Movement in investment properties		
Balance at 1 January	**143,776**	142,055
Addition	**-**	233
Unrealized gain on investment properties (note 25)	**3,599**	9,171
Currency translation differences	**(1,999)**	(7,683)
	145,376	143,776

8. LEASES

8.1 Right-of-use assets

	2023 AED'000	*2022 AED'000*
Balance as at 1st January	**8,734**	4,426
Additions	**915**	8,149
Depreciation charge for the year	**(2,598)**	(2,564)
Foreign exchange differences	**(244)**	(1,277)
Termination	**(2,212)**	-
Balance at 31 December	**4,595**	8,734

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

8.2 Lease liabilities

	2023 AED'000	*2022 AED'000*
Balance as of 1 January	**8,821**	4,639
Additions	**915**	8,149
Payment during the year	**(2,553)**	(3,932)
Foreign exchange differences	**2,188**	(1,250)
Termination	**(2,212)**	-
	4,695	8,821

The Group have taken 4.5% (2022: 4.5%) as incremental borrowing rate. The maturity analysis of lease liabilities are as follows:

	2023 AED'000	*2022 AED'000*
Less than one year	**2,507**	2,755
Between one and five years	**2,188**	6,066
	4,695	8,821
Amount recognised in consolidated statement of profit or loss		
Depreciation	**2,598**	2,564
Finance cost on lease liabilities	**237**	234
Amount recognised in consolidated statement of cashflows		
Payment of lease liabilities	**2,553**	2,715

9. INVESTMENT IN ASSOCIATE

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

Associate	***Ownership 2023***	*Ownership 2022*	***Country of incorporation***	***2023 AED'000***	*2022 AED'000*
The Islamic Insurance Co. Jordan	**20%**	20%	Jordan	**35,352**	35,188

9. INVESTMENT IN ASSOCIATE (continued)

The associate company engages in several Takaful activities that complies with Islamic regulation including, motor, marine transportation risk, fire insurance, comprehensive householder insurance, engineering and contactor's plant and equipment insurance with accordance with Sharia' Islamic principles and Central Bank of Jordan regulations.

	2023 ***AED'000***	*2022* *AED'000*
Movement during the year		
Balance at 1 January	**35,188**	34,447
Share of profit from associates (note 25)	**1,805**	1,720
Dividend received	**(1,230)**	(1,231)
Share of other comprehensive (loss)/income	**(411)**	252
	35,352	35,188

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

	2023 ***AED'000***	*2022* *AED'000*
Total assets	**252,193**	234,622
Total liabilities	**(132,417)**	(113,667)
Net assets	**119,776**	120,955
Revenue	**114,305**	98,463
Profit	**9,026**	8,598

10. STATUTORY DEPOSITS

	2023 ***AED'000***	*2022* *AED'000*
Islamic Arab Insurance Co. (Salama) PJSC		
- Bank deposit maintained in accordance with the Federal Law No. (48) of 2023	**10,000**	10,000
- Margin deposit against a bank guarantee issued in favor of Central Bank of UAE*	**60,000**	60,000
Subsidiaries		
Egyptian Saudi Insurance House	**69,971**	65,118
Salama Assurances Algeria	**115,734**	103,933
Misr Emirates Takaful Life Insurance Co.	**27,821**	30,060
	283,526	269,111

In accordance with the requirements of the Federal Law No. (48) of 2023, the Group maintains a bank deposit of AED 10,000 thousand which cannot be utilised without the consent of the UAE Central Bank. The statutory deposit is held with a commercial bank in the UAE.

*The Group's bank has issued bank guarantees of AED 210,000 thousand (2022: AED 160,000 thousand) in favor of Central Bank of UAE to improve the solvency position and AED 60,000 thousand was deposited as margin deposit against these guarantees. Subsidiaries holds the investments and deposits, which are depending on the nature of takaful activities of takaful companies.

11. INVESTMENTS

	31 December 2023			*31 December 2022 (restated)*		
	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	**-**	**323**	**323**	7,063	7,795	14,858
(b) Fair Value through Other comprehensive Income						
Mutual fund and externally managed portfolios	**-**	**85,513**	**85,513**	-	63,077	63,077
Shares and securities	**-**	**967**	**967**	-	942	942
Less: allowance for expected credit losses	**-**	**(2,020)**	**(2,020)**	-	-	-
	-	**84,460**	**84,460**	-	64,019	64,019
(c) At amortized cost						
Sukuk and Government bonds	**515**	**82,524**	**83,039**	4,404	103,560	107,964
Wakalah certificates	**54,094**	**-**	**54,094**	54,094	-	54,094
Other Mudariba investments	**-**	**65,738**	**65,738**	-	87,267	87,267
Islamic placements	**-**	**167,112**	**167,112**	-	164,759	164,759
Less: allowance for expected credit losses*	**(54,609)**	**(6,095)**	**(60,704)**	-	-	-
	-	**309,279**	**309,279**	58,498	355,586	414,084
	-	**394,062**	**394,062**	65,561	427,400	492,961
Quoted	**-**	**323**	**323**	7,063	8,190	15,253
Unquoted	**-**	**393,739**	**393,739**	58,498	419,210	477,708
	-	**394,062**	**394,062**	65,561	427,400	492,961

11. INVESTMENTS (continued)

*During the year the Group has recorded 100% allowance for expected credit losses of AED 56,456 thousand on investments held with a related party.

Islamic Placements represent Shari'ah compliant placements with different financial institutions having profit rates of 0.22% to 5% (2022: 0.22% to 5.00%) and maturing in more than three months from date of acquisition. During the year ended 31 December 2023, the Group purchased shares worth AED nil (2022: AED 2.9 million) which are classified as fair value through profit or loss and fair value through OCI.

The following investments are subject to an ongoing legal case as described in note 31.

- Investment at fair value through other comprehensive income of AED 58,244 thousand (2022: AED 58,244 thousand); and
- investments held at amortised cost of AED 111,627 thousand (2022: AED 111,627 thousand).

11.1 Participants' investments in unit-linked contracts

	2023 ***AED'000***	*2022* *AED'000*
Financial asset at fair value through profit or loss	**2,020,883**	1,948,146

Movement during the year is as follows;

	2023 ***AED'000***	*2022* *AED'000*
Balance at 1 January	**1,947,556**	2,396,075
Movement due to subscription / surrenders	**(126,216)**	(217,495)
Fair value movement during the year	**199,543**	(230,434)
	2,020,883	1,948,146

As at 31 December 2023, unit-linked investment portfolio of the Group includes unit linked investments of AED 1,172,222 thousand (2022: AED 766,393) in various funds which are managed by a related party, refer note 15.

12. DEPOSITS WITH TAKAFUL AND RETAKAFUL COMPANIES

	2023 ***AED'000***	*2022* *AED'000*
Contributions deposits	**-**	43
Claim deposits	**974**	1,304
	974	1,347

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 TAKAFUL CONTRACT ASSETS AND LIABILITIES

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

Amount in AED'000	*Liability for remaining coverage*			*Liability for incurred claims (PAA)*		
	Excluding loss component	*Loss component*	*LIC for contracts not under under PAA*	*Present value of future cash flows*	*Risk adjustment for non-financial risk*	*Total*
Takaful contracts that are liabilities at beginning of year	(1,873,636)	(3,298)	(119,778)	(356,322)	(13,326)	(2,366,360)
Takaful contracts that are assets at beginning of year	-	-	-	-	-	-
Takaful contracts liabilities at beginning of year	(1,873,636)	(3,298)	(119,778)	(356,322)	(13,326)	(2,366,360)
Takaful revenue	1,111,005	-	-	-	-	1,111,005
Incurred claims and other directly attributable expenses	-	-	(70,103)	(728,159)	(8,407)	(806,669)
Changes that relate to past service - changes in the FCF relating to LIC	-	-	-	(3,312)	5,180	1,868
Losses on onerous contracts and reversals of those losses	-	(6,844)	-	-	-	(6,844)
Insurance acquisition cash flows amortisations	(197,351)	-	-	-	-	(197,351)
Takaful service expenses	(197,351)	(6,844)	(70,103)	(731,471)	(3,227)	(1,008,996)
Takaful service result	913,654	(6,844)	(70,103)	(731,471)	(3,227)	102,009
Finance expense from insurance contracts issued recognised	(203,471)	-	(3,922)	(20,318)	(775)	(228,486)
Forex adjustment to comprehensive income	(2,030)	4	-	14,944	392	13,311
Total amounts recognised in profit & loss and Other comprehensive income	708,153	(6,839)	(74,025)	(736,844)	(3,611)	(113,166)
Investment component	440,796	-	(440,796)	-	-	-
Premium received	(1,460,159)	-	-	-	-	(1,460,159)
Claims and other directly attributable expenses paid	-	-	516,163	667,629	-	1,183,792
Insurance acquisition cash flows	219,265	-	-	-	-	219,265
Total cash flows	(1,240,894)	-	516,163	667,629	-	(57,102)
Takaful contracts liabilities at end of year	(1,965,580)	(10,137)	(118,436)	(425,538)	(16,936)	(2,536,627)
Takaful contracts that are liabilities at end of year	(1,972,381)	(10,137)	(118,436)	(425,538)	(16,936)	(2,543,428)
Takaful contracts that are assets at end of year	6,801	-	-	-	-	6,801
Takaful contract net position at end of year	(1,965,580)	(10,137)	(118,436)	(425,538)	(16,936)	(2,536,627)

13 TAKAFUL CONTRACT ASSETS AND LIABILITIES (continued)

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

	Remaining Coverage			*Incurred claims*		
Amount in AED'000	*Excluding loss component*	*Loss recovery component*	*LIC for contracts not under under PAA*	*Present value of future cash flows*	*Risk adjustment for non-financial risk*	*Total*
Retakaful contracts held that are liabilities at beginning of year	**(185,201)**	**-**	**-**	**-**	**-**	**(185,201)**
Retakaful contracts held that are assets at beginning of year	**25,510**	**1,466**	**59,072**	**188,276**	**7,522**	**281,846**
Retakaful contract net position at beginning of year	**(159,691)**	**1,466**	**59,072**	**188,276**	**7,522**	**96,645**
Retakaful expenses	**(376,567)**	**-**	**-**	**-**	**-**	**(376,567)**
Amortisation of Insurance acquisition cash flows-	**-**	**-**	**-**	**-**	**-**	**-**
Incurred claims recovery	**-**	**-**	**21,310**	**266,650**	**4,513**	**292,472**
Changes that relate to past service-changes in the FCF relating to incurred claims recovery-	**-**	**-**	**-**	**30,702**	**(2,106)**	**28,597**
Income on initial recognition of onerous underlying contracts	**-**	**1,437**	**-**	**-**	**-**	**1,437**
Reversal of a loss-recovery component other than changes in the FCF of reinsurance contracts held	**-**	**(1,449)**	**-**	**-**	**-**	**(1,449)**
Effect of changes in risk of reinsurers' non-performance	**-**	**-**	**(388)**	**14**	**-**	**(374)**
Net income/(expenses) from reinsurance contracts held	**(376,567)**	**(13)**	**20,922**	**297,366**	**2,407**	**(55,885)**
Finance income from reinsurance contracts held	**(6,790)**	**-**	**1,114**	**11,845**	**560**	**6,729**
Forex adjustment to comprehensive income	**(1,421)**	**2**	**-**	**(5,086)**	**(255)**	**(6,759)**
Total amounts recognised in profit & loss and Other comprehensive income	**(384,778)**	**(10)**	**22,036**	**304,125**	**2,713**	**(55,915)**
Cash flows						
Premiums paid net of ceding commissions and other directly attributable expenses	**395,469**	**-**	**-**	**-**	**-**	**395,469**
Recoveries from retakaful	**-**	**-**	**(12,603)**	**(237,183)**	**-**	**(249,786)**
Total cash flows	**395,469**	**-**	**(12,603)**	**(237,183)**	**-**	**145,683**
Retakaful contracts held assets/ (liabilities) at end of year	**(149,000)**	**1,455**	**68,505**	**255,218**	**10,235**	**186,413**
Retakaful contracts held that are liabilities at end of year	**(162,050)**	**-**	**-**	**-**	**-**	**(162,050)**
Retakaful contracts held that are assets at end of year	**13,049**	**1,455**	**68,505**	**255,218**	**10,235**	**348,462**
Reinsurance contract net position at end of year	**(149,000)**	**1,455**	**68,505**	**255,218**	**10,235**	**186,413**

13 TAKAFUL CONTRACT ASSETS AND LIABILITIES (continued)

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

	Liability for remaining coverage			*Liability for incurred claims - PAA*		
Amount in AED'000	*Excluding loss component*	*Loss component*	*LIC for contracts not under under PAA*	*Present value of future cash flows*	*Risk adjustment for non-financial risk*	*Total*
Takaful contracts that are liabilities at beginning of year	(2,288,935)	(9,300)	(216,636)	(454,805)	(16,514)	(2,986,190)
Takaful contracts that are assets at beginning of year	6,812	-	-	-	-	6,812
Takaful contracts (liabilities)/assets at beginning of year	(2,282,123)	(9,300)	(216,636)	(454,805)	(16,514)	(2,979,378)
Takaful revenue	924,136	-	-	-	-	924,136
Incurred claims and other directly attributable expenses	-	-	(80,973)	(507,449)	(1,380)	(589,802)
Changes that relate to past service-changes in the FCF relating to LIC	-	-	-	17,673	3,229	20,902
Losses on onerous contracts and reversals of those losses	-	4,347	-	-	-	4,347
Insurance acquisition cash flows amortisations	(169,419)	-	-	-	-	(169,419)
Takaful service expenses	(169,419)	4,347	(80,973)	(489,776)	1,849	(733,972)
Takaful service result	754,717	4,347	(80,973)	(489,776)	1,849	190,164
Finance income/(expense) from insurance contracts issued recognised	227,796	-	(1,610)	(17,471)	-	208,715
Forex adjustment to comprehensive income	(3,745)	1,655	-	46,382	1,340	45,632
Total amounts recognised in profit & loss and Other comprehensive income	978,768	6,002	(82,583)	(460,864)	3,188	444,510
Investment component	575,719	-	(575,719)	-	-	-
Contribution received	(1,354,965)	-	-	-	-	(1,354,965)
Claims and other directly attributable expenses paid	-	-	755,160	559,347	-	1,314,507
Takaful acquisition cash flows	208,965	-	-	-	-	208,965
Total cash flows	(1,146,000)	-	755,160	559,347	-	168,507
Takaful contracts liabilities at end of period	(1,873,636)	(3,298)	(119,778)	(356,322)	(13,325)	(2,366,360)
Takaful contracts that are liabilities at end of year	(1,873,636)	(3,298)	(119,778)	(356,322)	(13,325)	(2,366,360)
Takaful contracts that are assets at end of year	-	-	-	-	-	-
Takaful contract net position at end of year	(1,873,636)	(3,298)	(119,778)	(356,322)	(13,325)	(2,366,360)

13 TAKAFUL CONTRACT ASSETS AND LIABILITIES (continued)

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

	Remaining coverage			*Incurred claims*		
Amount in AED'000	*Excluding loss component*	*Loss recovery component*	*LIC for contracts not under under PAA*	*Present value of future cash flows*	*Risk adjustment for non-financial risk*	*Total*
Retakaful contracts held that are liabilities at beginning of year	(198,195)	-	-	-	-	(198,195)
Retakaful contracts held that are assets at beginning of year	23,169	4,122	75,846	227,191	9,349	339,678
Retakaful contracts held assets (liabilities) at beginning of year	(175,026)	4,122	75,846	227,191	9,349	141,483
Retakaful expenses	(288,407)	-	-	-	-	(288,407)
Amortisation of Insurance acquisition cash flows	23,785	-	-	-	-	23,785
Incurred claims recovery	-	-	9,206	188,858	565	198,629
Changes that relate to past service-changes in the FCF relating to incurred claims recovery	-	-	-	(18,661)	(1,580)	(20,241)
Income on initial recognition of onerous underlying contracts	-	(1,933)	-	-	-	(1,933)
Effect of changes in risk of reinsurers' non-performance	-	-	-	20	-	20
Net income (expenses) from reinsurance contracts held	(264,622)	(1,933)	9,206	170,217	(1,015)	(88,147)
Finance income from reinsurance contracts held	(6,898)	-	(802)	4,082	-	(3,618)
Forex adjustment to comprehensive income	(4,828)	(724)	7,121	(16,245)	(812)	(15,488)
Total amounts recognised in comprehensive income	(276,349)	(2,657)	15,526	158,054	(1,828)	(107,254)
Other pre-recognition cash flows derecognised and other changes	-	-	-	-	-	-
Cash flows						
Premiums paid net of ceding commissions and other directly attributable expenses	291,683	-	-	-	-	291,683
Recoveries from reinsurance	-	-	(32,299)	(196,968)	-	(229,267)
Total cash flows	291,683	-	(32,299)	(196,968)	-	62,416
Presentational currency fx adjustment	-	-	-	-	-	-
Reinsurance contracts held assets (liabilities) at end of year	(159,691)	1,466	59,072	188,276	7,522	96,645
Reinsurance contracts held that are liabilities at end of year	(185,201)	-	-	-	-	(185,201)
Reinsurance contracts held that are assets at end of year	25,510	1,466	59,072	188,276	7,522	281,846
Reinsurance contract net position at end of year	(159,691)	1,466	59,072	188,276	7,522	96,645

13 TAKAFUL CONTRACT ASSETS AND LIABILITIES (continued)

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

Amounts in AED'000	*Best estimate liability*	*Risk adjustment*	*Contractual service margin*	*Total*
Opening takaful contract assets	337,544	(25,714)	(320,779)	(8,948)
Opening takaful contract liabilities	(1,729,481)	(24,560)	(206,910)	(1,960,951)
Takaful contracts liabilities at beginning of year	(1,391,936)	(50,274)	(527,689)	(1,969,899)
Changes related to current services				
CSM recognized in profit and loss	-	-	65,935	65,935
Risk Adjustment recognized in profit and loss	-	8,137	-	8,137
Experience adjustments	7,355	(1,721)	-	5,634
Changes related to future services				
Contracts initially recognized in the period	7,162	(552)	(6,678)	(67)
Changes in estimates that adjust CSM	(180,460)	3,145	177,314	-
Changes in estimates that result in onerous contracts or reversal of losses	(3,244)	-	-	(3,244)
Takaful finance expenses through profit and loss	(56,988)	(2,789)	(147,615)	(207,393)
Takaful finance expenses through OCI	-	332	-	332
Total changes in statement of profit or loss and OCI	(226,175)	6,552	88,956	(130,667)
Premiums received	(506,195)	-	-	(506,195)
Claims paid	509,277	-	-	509,277
Directly attributable expenses paid	2,195	-	-	2,195
Acquisition cost paid	33,606	-	-	33,606
Total cash flows	38,883	-	-	38,883
Closing takaful contract assets	-	-	-	-
Closing takaful contract liabilities	(1,579,229)	(43,722)	(438,733)	(2,061,684)
Takaful contract net position at end of year	(1,579,229)	(43,722)	(438,733)	(2,061,684)

13 TAKAFUL CONTRACT ASSETS AND LIABILITIES (continued)

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

Amounts in AED'000	*Best estimate liability*	*Risk adjustment*	*Contractual service margin*	*Total*
Opening retakaful contract assets	**56,817**	**2,256**	**-**	**59,073**
Opening retakaful contract liabilities	**(236,045)**	**29,628**	**43,056**	**(163,361)**
Retakaful contracts held assets/(liabilities) at beginning of year	**(179,228)**	**31,884**	**43,056**	**(104,288)**
Changes related to current services				
CSM recognized in profit or loss	**-**	**-**	**(3,717)**	**(3,717)**
Risk Adjustment recognized in profit or loss	**-**	**(1,105)**	**-**	**(1,105)**
Experience adjustments	**(14,928)**	**-**	**-**	**(14,928)**
Changes in estimates that adjust CSM	**4,028**	**4,557**	**(8,620)**	**(35)**
Effect of changes in the risk of reinsurers non-performance	**(388)**	**-**	**-**	**(388)**
Insurance finance expenses through profit or loss	**(10,504)**	**1,941**	**2,887**	**(5,676)**
Total changes in statement of profit or loss and OCI	**(21,793)**	**5,393**	**(9,450)**	**(25,849)**
Contribution paid to retakaful net of commission	**54,024**	**-**	**-**	**54,024**
Recoveries from retakaful	**(12,603)**	**-**	**-**	**(12,603)**
Total cash flows	**41,421**	**-**	**-**	**41,421**
Closing retakaful contract assets	**68,794**	**10,120**	**(10,409)**	**68,505**
Closing retakaful contract liabilities	**(228,394)**	**27,157**	**44,015**	**(157,222)**
Retakaful contract net position at end of year	**(159,600)**	**37,277**	**33,606**	**(88,717)**

13 TAKAFUL CONTRACT ASSETS AND LIABILITIES (continued)

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

Amounts in AED'000	*Best estimate liability*	*Risk adjustment*	*Contractual service margin*	*Total*
Opening takaful contract assets	306,729	(23,461)	(276,456)	6,812
Opening takaful contract liabilities	(2,143,254)	(29,344)	(282,296)	(2,454,894)
Takaful contracts liabilities at beginning of year	(1,836,525)	(52,805)	(558,752)	(2,448,082)
Changes related to current services				
CSM recognized in profit or loss	-	-	84,898	84,898
Risk Adjustment recognized in profit or loss	-	5,432	-	5,432
Experience adjustments	(7,452)	1,033	-	(6,419)
Changes related to future services				
Contracts initially recognized in the period	15,483	(560)	(14,923)	-
Changes in estimates that adjust CSM	337,138	(2,945)	(334,193)	-
Takaful finance expenses through profit or loss	(67,766)	(1,330)	295,281	226,186
Takaful finance expenses through OCI	-	900	-	900
Total changes in statement of profit & loss and OCI	277,403	2,530	31,063	310,997
Contribution received	(612,868)	-	-	(612,868)
Claims paid	748,150	-	-	748,150
Directly attributable expenses paid	7,009	-	-	7,009
Acquisition cost paid	24,893	-	-	24,893
Total cash flows	167,185	-	-	167,185
Opening takaful contract assets	337,544	(25,714)	(320,779)	(8,948)
Opening takaful contract liabilities	(1,729,481)	(24,560)	(206,910)	(1,960,951)
Takaful contract net position at end of year	(1,391,937)	(50,274)	(527,689)	(1,969,899)

13 TAKAFUL CONTRACT ASSETS AND LIABILITIES (continued)

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

Amounts in AED'000	*Best estimate liability*	*Risk adjustment*	*Contractual service margin*	*Total*
Opening retakaful contract assets	72,597	16,938	(13,689)	75,846
Opening retakaful contract liabilities	(211,939)	17,260	13,776	(180,904)
Retakaful contracts assets/(liabilities) at beginning of year	(139,342)	34,198	87	(105,058)
CSM recognized in profit or loss	-	-	(7,263)	(7,263)
Risk Adjustment recognized in profit or loss	-	(3,433)	-	(3,433)
Experience adjustments	(16,758)	(994)	-	(17,752)
Changes in estimates that adjust CSM	(50,554)	511	50,043	-
Insurance finance expenses through profit or loss	(9,491)	1,601	189	(7,700)
Total changes in statement of profit or loss and OCI	(76,802)	(2,314)	42,969	(36,147)
Contribution paid to reinsurer net of commission	69,216	-	-	69,216
Recoveries from retakaful	(32,299)	-	-	(32,299)
Total cash flows	36,917	-	-	36,917
Closing retakaful contract assets	56,817	2,256	-	59,073
Closing retakaful contract liabilities	(236,045)	29,628	43,056	(163,361)
Retakaful contract net position at end of year	(179,228)	31,884	43,056	(104,288)

14 OPERATING SEGMENT

For operating purposes, the Group is organised into two main business segments:

- Underwriting of general takaful business incorporating all classes of general takaful including fire, marine, motor, general accident, engineering, medical. This business is conducted in the UAE, Egypt and Algeria.
- Underwriting of life takaful business incorporating individual and group life takaful. This business is conducted in UAE and Egypt.

Consolidated statement of profit or loss by business

	For the year ended 31 December 2023			*For the year ended 31 December 2022*		
	General Takaful AED'000	***Family takaful AED'000***	***Total AED'000***	*General Takaful AED'000*	*Family takaful AED'000*	*Total AED'000*
Takaful revenue	**853,589**	**257,416**	**1,111,005**	720,302	203,834	924,136
Insurance service expenses	**(853,167)**	**(155,829)**	**(1,008,996)**	(646,417)	(87,555)	(733,972)
Net expenses from retakaful contracts held	**(20,678)**	**(35,207)**	**(55,885)**	(35,302)	(52,845)	(88,147)
TAKAFUL SERVICE RESULT	**(20,256)**	**66,380**	**46,124**	38,583	63,434	102,017
Investment and other income			**289,189**			(176,372)
Net takaful finance (expenses)/income			**(221,757)**			205,096
Other operational expenses, impairment of goodwill and income tax			**(252,883)**			(95,305)
Net (loss)/profit after tax			**(139,327)**			35,436

Consolidated statement of profit or loss by geography

	For the year ended 31 December 2023			*For the year ended 31 December 2022*		
	Africa AED'000	***Asia AED'000***	***Total AED'000***	*Africa AED'000*	*Asia AED'000*	*Total AED'000*
Takaful revenue	**208,029**	**902,976**	**1,111,005**	246,872	677,264	924,136
Takaful service expenses	**(208,060)**	**(800,936)**	**(1,008,996)**	(207,565)	(526,407)	(733,972)
Net expenses from retakaful contracts held	**5,448**	**(61,333)**	**(55,885)**	(21,088)	(67,059)	(88,147)
TAKAFUL SERVICE RESULT	**5,417**	**40,707**	**46,124**	18,219	83,798	102,017
Investment and other income			**289,189**			(176,372)
Net Takaful finance (expenses)/income			**(221,757)**			205,096
Other operational expenses, impairment of goodwill and income tax			**(252,883)**			(95,305)
Net (loss)/profit after tax			**(139,327)**			35,436

14 OPERATING SEGMENT (continued)

Statement of financial position by business as at 31 December 2023

	General takaful AED'000	*Family takaful AED'000*	*Total AED'000*
Assets			
Property and equipment	**45,653**	**1,729**	**47,382**
Goodwill and intangibles	**67,410**	**606**	**68,016**
Investment properties	**145,376**	**-**	**145,376**
Right of use assets	**4,223**	**372**	**4,595**
Investments in associates	**35,352**	**-**	**35,352**
Deposits	**191,704**	**91,822**	**283,526**
Investments	**291,128**	**102,934**	**394,062**
Participants' investments in unit-linked contracts	**-**	**2,020,883**	**2,020,883**
Deposits with takaful and retakaful companies	**974**	**-**	**974**
Takaful contract assets	**6,801**	**-**	**6,801**
Retakaful contract assets	**269,639**	**78,823**	**348,462**
Other assets and receivables	**55,900**	**58,133**	**114,033**
Bank balances and cash	**95,857**	**48,322**	**144,179**
	1,210,017	**2,403,624**	**3,613,641**
Liabilities and policyholders' fund			
Technical reserves	**-**	**77,160**	**77,160**
Takaful contract Liabilities	**466,339**	**2,077,089**	**2,543,428**
Retakaful contract Liabilities	**4,828**	**157,222**	**162,050**
Other payables and accruals	**63,952**	**105,146**	**169,098**
Lease liabilities	**4,313**	**382**	**4,695**
Total liabilities	**539,432**	**2,416,999**	**2,956,431**
Policyholders' fund	**-**	**-**	**-**
Total equity	**670,585**	**(13,375)**	**657,210**
Financed by:			
Shareholders' equity			**587,975**
Non-controlling interest			**69,235**
			657,210

14 OPERATING SEGMENT (continued)

Statement of financial position by business as at 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 associates	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
Retakaful contract assets	219,131	62,715	281,846
Deposits with takaful and retakaful companies	1,347	-	1,347
Other assets and receivables	106,343	-	106,343
Bank balances and cash	58,013	75,432	133,445
	1,288,943	2,284,240	3,573,183
Liabilities and policyholders' fund			
Technical reserves	54,770	-	54,770
Takaful contract Liabilities	387,156	1,979,204	2,366,360
Retakaful contract Liabilities	21,841	163,360	185,201
Other payables and accruals	72,188	69,571	141,759
Lease liabilities	7,707	1,114	8,821
Total liabilities	543,662	2,213,249	2,756,911
Policyholders' fund	-	-	-
Total equity	745,281	70,991	816,272
Financed by:			
Shareholders' equity			746,059
Non-controlling interest			70,213
			816,272

15. 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.

	2023 ***AED'000***	*2022* *AED'000*
Contribution	**-**	2,570
Claims paid	**-**	47
Investment expenses	**4,350**	10
General and Administrative Expenses	**260**	-
Compensation of key management personnel		
Short term benefits	**5,388**	4,980
Employees end of service benefits	**78**	176
	5,466	5,156
Board of Directors' remuneration (note 38)	**-**	2,377

The Shareholders at the Annual General Meeting held on April 24, 2023, have approved the Board of Directors' remuneration of AED 2,377 thousand for the financial year ended 31 December 2022.

Balances with related parties

	2023 ***AED'000***	*2022* *AED'000*
Investments at amortised cost and FVOCI*	**56,456**	63,794
Participants' investments in unit-linked contracts	**1,172,222**	766,393
Intangible Assets	**-**	801
Other assets and receivables* (note 16)	**54,272**	43,282

*During the year ended 31 December 2023, Group has recorded 100% expected credit losses i.e. AED 56,456 thousand against investments held with a related party and AED 14,873 thousand against profit receivable on investment from the same party.

16. OTHER ASSETS AND RECEIVABLES

	2023 ***AED'000***	*2022* *AED'000*
Profit receivable	**23,728**	13,126
Receivable against sales of Investments	**52,108**	30,523
Deferred tax	**5,122**	4,092
Others*	**48,300**	58,602
Less: provision for credit losses (note 15)	**(15,225)**	-
	114,033	106,343

*The other assets and receivables include other receivables amounting to AED 13.8 million which was previously subjected to a legal case, and on which the Group has won, and the court has issued performance order and is now under execution against the relevant counter parties. 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.

17. BANK BALANCES AND CASH

	2023 AED'000	*2022 AED'000*
Cash in hand	**30**	25
Cash at bank	**134,788**	92,279
Term deposits (Note 17.1)	**11,014**	41,141
Less: provision for credit losses	**(1,653)**	-
Bank balances and Cash	**144,179**	133,445
Less: term deposits under lien	**(8,718)**	(8,988)
Less: term deposits with maturity after three months	**(10,381)**	(10,381)
Cash and cash equivalent	**125,080**	114,076

Cash and bank balances – by geographical distribution

	2023 AED'000	*2022 AED'000*
Domestic	**62,520**	102,244
International	**83,286**	31,201
	145,806	133,445

17.1 Term deposits carried profit ranging from 0.20% to 0.85% per annum (2022: 0.20% to 0.85 % per annum).

18. OTHER PAYABLES AND ACCRUALS

	2023 AED'000	*2022 AED'000*
Payable to suppliers	**57,675**	59,237
Staff related accruals	**2,214**	16,994
Provision against doubtful debts	**48,454**	22,522
Accrued expenses	**10,683**	8,279
Other provisions	**12,350**	11,787
Taxes payable (note 29)	**16,038**	6,146
Deferred tax liabilities (note 29)	**121**	102
ECL on retakaful share of outstanding claims (note 36)	**252**	-
ECL on Contributions and takaful balance receivables (note 36)	**4,171**	-
Other payables	**17,140**	16,692
	169,098	141,759

19. POLICYHOLDERS' FUND

	2023 AED'000	*2022 AED'000*
Balance at 1 January	**(32,367)**	-
Net deficit attributable to policyholders for the year	**(74,831)**	(32,367)
	(107,198)	(32,367)
Financed by shareholders	**107,198**	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.

20. SHARE CAPITAL

	2023 AED'000	*2022 AED'000*
Issued and fully paid		
939,589 thousand (2022: 1,210,000 thousand) ordinary shares of AED 1 each	**939,589**	1,210,000

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

*During the year, the Group has cancelled its 270,411 thousand AED 1 ordinary shares and the accumulated losses were adjusted against this cancellation. (note 1)

21. TREASURY SHARES

In 2008, the Company bought back 21,669,790 shares amounting to AED 35,972 thousand. The treasury shares are debited as a separate category of shareholders' equity at cost. During the year ended 31 December 2023 due to the cancellation of share capital the treasury shares were reduced to 16,830,489 ordinary shares.

22. STATUTORY RESERVE

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

During the year, the Group has utilised the AED 101,262 thousand to offset some of the accumulated losses of the Group. This adjustment was approved by the general assembly and the regulators.

23. OTHER RESERVES

Other reserves include following:

	2023 AED'000	*2022 AED'000*
Revaluation reserve	**34,118**	20,753
Foreign exchange translation reserve	**(163,767)**	(157,049)
Investment fair value reserve	**(30,397)**	(27,154)
Regulatory reserve – UAE operations (note 23.1)	**5,513**	3,317
	(154,533)	(160,133)

23.1 Regulatory reserve – UAE operations

In accordance with Article 34 of Insurance Authority's Board of Directors Decision No. (23) of 2019 concerning instructions organizing reinsurance operations, the Group has allocated an amount equal 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 regulator.

24. 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

	2023 *AED'000*	*2022* *AED'000*
Non-controlling interest share	**48.85%**	48.85%
Current assets	**138,837**	119,831
Non-current assets	**83,589**	81,356
Current liabilities	**(130,847)**	(106,616)
Carrying amount of non-controlling interest (A)	**44,736**	46,198

	2023 *AED'000*	*2022* *AED'000*
Profit	**40,772**	25,165
Total comprehensive income/(loss)	**21,569**	(19,125)
Profit allocated to non-controlling interest	**10,536**	(9,343)
Cash flows generated from/(used in) operating activities	**76,531**	(40,612)
Cash flows (used in)/generated from investing activities	**(36,265)**	33,724
	40,266	(6,888)

Other subsidiaries

	2023 *AED'000*	*2022* *AED'000*
Carrying amount of non-controlling interest (B)	**24,499**	24,015
Total Carrying amount of non-controlling interest (A+B)	**69,235**	70,213

25. INCOME FROM INVESTMENTS

	2023 *AED'000*	*2022* *AED'000*
Policyholders' income		
Unrealised gain/(loss) on unit-linked portfolio	**199,374**	(230,523)
Income from bank deposits	**169**	89
	199,543	(230,434)
Shareholders' income		
Unrealised gain on investment at FVTPL	**84**	6,795
Realised gain/(loss) on investment at FVTPL	**36,594**	(10,778)
Fair value gain on investment properties	**3,599**	9,171
Income on deposits and wakala certificates	**36,680**	32,963
Share of profit from associate (note 9)	**1,805**	1,720
Others	**772**	700
	79,534	40,571
	279,077	(189,863)

26. TAKAFUL REVENUE

31 December 2023

	Life AED'000	***General AED'000***	***Total AED'000***
Amounts related to changes in LRC			
Expected incurred claims & other expenses	**77,367**	**-**	**77,367**
Change in risk adjustment	**8,137**	**-**	**8,137**
CSM recognized	**65,935**	**-**	**65,935**
Recovery of acquisition cash flows	**1,084**	**-**	**1,084**
Contracts not measured under PAA	**152,523**	**-**	**152,523**
Contracts measured under PAA	**104,893**	**853,589**	**958,482**
Total insurance revenue	**257,416**	**853,589**	**1,111,005**

31 December 2022

	Life AED'000	*General AED'000*	*Total AED'000*
Amounts related to changes in LRC			
Expected incurred claims & other expenses	74,553	-	74,553
Change in risk adjustment	5,432	-	5,432
CSM recognized	84,898	-	84,898
Recovery of acquisition cash flows	2,783	-	2,783
Contracts not measured under PAA	167,666	-	167,666
Contracts measured under PAA	36,167	720,303	756,470
Total insurance revenue	203,833	720,303	924,136

27. TAKAFUL SERVICE EXPENSES

31 December 2023

	Life AED'000	***General AED'000***	***Total AED'000***
Incurred claims and other directly attributable expenses	**711,767**	**94,902**	**806,669**
Amortisation of Takaful Acquisition Cash Flows	**(9,815)**	**7,947**	**(1,868)**
Changes related to past service	**1,901**	**4,942**	**6,843**
Claims Recovered (Loss Recovery)	**149,315**	**48,037**	**197,352**
Total	**853,168**	**155,828**	**1,008,996**

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	Life AED'000	*General AED'000*	*Total AED'000*
Incurred claims and other directly attributable expenses	497,190	92,613	589,803
Amortisation of Takaful Acquisition Cash Flows	(8,555)	(12,348)	(20,903)
Changes related to past service	(4,347)	-	(4,347)
Claims Recovered (Loss Recovery)	162,130	7,289	162,130
Total	646,418	87,554	733,972

28. NET INSURANCE FINANCE RESULTS

31 December 2023

	Gross AED'000	***Retakaful AED'000***
Interest accreted to insurance contracts using current financial assumptions	**(14,849)**	**3,807**
Due to changes in interest rates & other financial assumptions	**(3,220)**	**6**
Fair value movement of Unit link product	**(199,370)**	**-**
Difference in increase in liability for incurred claims RA	**(11,047)**	**2,916**
	(228,486)	**6,729**

31 December 2022

	Gross AED'000	*Retakaful AED'000*
Interest accreted to insurance contracts using current financial assumptions	(14,251)	(5,085)
Due to changes in interest rates & other financial assumptions	(2,151)	204
Fair value movement of Unit link product	230,524	-
Difference in increase in liability for incurred claims RA	(5,407)	1,262
	208,715	(3,619)

29. INCOME TAXES

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected annual earnings. The Group entities operate in the Egypt and Algeria and are subject to income tax in these countries. The component of income tax recognised in the consolidated statement of profit or loss is as follows:

	2023 AED'000	*2022 AED'000*
Current income tax expense	**15,360**	9,008
Deferred taxes	**(63)**	(197)
	15,297	8,811

Reconciliation of tax expenses and accounting profit is not provided as majority of the earnings are not subject to tax.

	2023 AED'000	*2022 AED'000*
Current Tax payable		
As at 1 January	**6,146**	5,626
Provisions during the year	**15,360**	9,008
Less: payments	**(5,100)**	(6,355)
Exchange differences	**(368)**	(2,133)
Balance as at the end of the year	**16,038**	6,146

29. INCOME TAXES (continued)

	2023 ***AED'000***	*2022* *AED'000*
Deferred Tax Assets		
As at 1 January	**4,980**	4,754
Provisions during the year	**100**	188
Exchange differences	**120**	38
Balance as at the end of the year	**5,200**	4,980
Deferred Tax Liabilities		
As at 1 January	**102**	164
Provisions during the year	**37**	(9)
Exchange differences	**(18)**	(53)
Balance as at the end of the year	**121**	102

30. BASIC AND DILUTED (LOSS)/EARNINGS PER SHARE

	2023	*2022*
(Loss)/Profit for the year attributable to shareholders (AED'000)	**(158,389)**	18,895
Weighted average of shares (in thousands)	**982,421**	1,188,330
Basic and diluted (loss)/earnings per share (AED)	**(0.161)**	0.016

Basic (loss)/earnings per share are calculated by dividing the (loss)/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 (loss)/earnings per share is equivalent to basic (loss)/earnings per share as the Group did not issue any new instrument that would impact (loss)/earnings per share when executed.

31. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

	2023 ***AED'000***	*2022* *AED'000*
Letter of Guarantees in favor of CBUAE	**210,000**	160,000
Other letter of guarantees	**8,527**	8,798
	218,527	168,798

Statutory Deposits (note 10) of AED 283,526 thousand (2022: AED 269,111 thousand) includes deposits amounting to AED 70,000 thousand (2022: AED 70,000 thousand) which are held as lien by the bank against the abovementioned letter of guarantees 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 50,000 thousand in favour of CBUAE to meet the solvency requirements.

Other letter of guarantee was issued during normal course of business against which term deposits of AED 8,717 thousand (2022: AED 8,988 thousand) (note 17) which are held as lien by the bank.

31. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS (continued)

Ongoing legal case

Group's total assets includes Investment property with a carrying amount of AED 84,957 thousand (2022: AED 84,957 thousand) (note 8), Investment at fair value through other comprehensive income of AED 58,244 thousand (2022: AED 58,244 thousand) and investments held at amortised cost of AED 111,627 thousand (2022: AED 111,627 thousand) (note 11); and Other receivables with a carrying amount of AED 33,639 thousand (2022: AED 33,639 thousand) (note 16). Aforementioned assets are under dispute due to litigation between the Group and a Bank (previously a related party).

Group has initiated legal actions, including civil and criminal cases at Dubai Courts, to safeguard rights and reclaim contested assets. Additionally, Group is pursuing legal measures in other jurisdictions against the parties implicated in the criminal case. Legal consultants of the Group express confidence in Group's strong legal position in these disputes, based on the progress of actions taken to date, the positive legal rulings obtained, and those currently in progress.

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 2023 (2022: nil).

32. OPERATING LEASE COMMITMENTS

Group as a lessee

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

	2023 AED'000	*2022 AED'000*
Future minimum lease payments:		
Due within one year	**2,507**	2,755

33. 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.

	FVTPL AED'000	***FVOCI AED'000***	***Amortised cost AED'000***	***Total AED'000***
Financial assets				
Investments	**323**	**84,460**	**309,279**	**394,062**
Statutory deposits	**-**	**-**	**283,526**	**283,526**
Deposits with takaful and retakaful companies	**-**	**-**	**974**	**974**
Other assets and receivables	**-**	**-**	**62,179**	**62,179**
Bank balances and cash	**-**	**-**	**145,807**	**145,807**
	323	**84,460**	**801,765**	**886,548**
Financial liabilities				
Other payables and accruals	**-**	**-**	**91,226**	**91,226**
Lease liabilities	**-**	**-**	**4,695**	**4,695**
	-	**-**	**95,921**	**95,921**

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

31 December 2022

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

34. 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.

34. 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 2023

	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	**323**	**-**	**-**	**323**
Unit Linked investments	**-**	**2,020,883**	**-**	**2,020,883**
	323	**2,020,883**	**-**	**2,021,206**
Financial asset at fair value through OCI				
Mutual fund	**-**	**-**	**85,513**	**85,513**
Shares and securities	**-**	**967**	**-**	**967**
Less: provision for credit losses	**-**	**-**	**(2,020)**	**(2,020)**
	-	**967**	**8,3493**	**84,460**
Non-financial assets				
Investment properties	**-**	**-**	**145,376**	**145,376**
	-	**-**	**145,376**	**145,376**

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
Financial asset at fair value through OCI				
Mutual fund	-	63,077	-	63,077
Shares and securities	396	546	-	942
	396	546	-	64,019
Non-financial assets				
Investment properties	-	-	143,776	143,776
	-	-	143,776	143,776

34. 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:

	2023	*2022*
	AED'000	*AED'000*
Movement in investment properties		
Balance at 1 January	**143,776**	142,055
Addition	**-**	233
Unrealized gain on investment properties (note 25)	**3,599**	9,171
Currency translation differences	**(1,999)**	(7,683)
	145,376	143,776

35. RISK MANAGEMENT

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 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.

35. RISK MANAGEMENT (continued)

a) Introduction and overview (continued)

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.

The vast majority of assets held by Salama relate to assets linked to liabilities for unit linked policies (through the Participant Investment Accounts – PIA). Policyholders bear all risks relating to PIA assets and liabilities, other than the operational risk of matching assets not being invested in after allocating units to policies.

A high-level review of the company's asset and liability cash flow profile suggests that the assets for different durations are sufficient to meet its corresponding liabilities.

ALM Committee
ALM Committee will be a sub-Committee of the Investment Committee. It comprises of at least 2 members which are appointed by the Committee. Committee is to have annual meetings alongside other informal meetings. The ALM Committee includes members of Local senior management (CFO, Risk Head and Head of Actuarial function, if applicable) and a member representative of the SALAMA Board. The CFO is responsible for reporting the proceedings of the meetings of the ALM Committee to the Investment Committee which will be included in the Investment Committee report to the Board of Directors.

The responsibilities of the committer include validating the strategic asset allocation and ensuring compliance on risk appetite limits, regulatory and other accounting constraints. ALM is also responsible for monitoring liquidity position and exploring alternative funding sources.

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.

35. RISK MANAGEMENT (continued)

b) Takaful risk (continued)

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.

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.

35. RISK MANAGEMENT (continued)

b) Takaful risk (continued)

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 (2022: 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.

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.

35. RISK MANAGEMENT (continued)

c) Financial risks (countinued)

i) Credit risk (countinued)

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 year is disclosed.

31 December 2023

		Credit ratings		
	A+ to A- AED '000	***BBB+ to BBB- AED '000***	***Below BBB- or not rated AED '000***	***Total AED '000***
Assets				
Investments held at amortised cost	**60,057**	**26,561**	**283,365**	**369,983**
Investments carried at FVTPL	**-**	**-**	**323**	**323**
Fair value through other comprehensive income	**20,679**	**-**	**65,801**	**86,480**
Statutory deposits	**70,000**	**144**	**213,382**	**283,526**
Cash and cash equivalents	**58,431**	**49,333**	**38,038**	**145,802**
Less: Allowance for expected credit losses	**(1,193)**	**(776)**	**(62,408)**	**(64,377)**
	207,974	**75,262**	**538,501**	**821,737**

31 December 2022

		Credit ratings		
	BBB+ to A+ to A- AED '000	*BBB- AED '000*	*Below BBB- or not rated AED '000*	*Total AED '000*
Assets				
Investments held at amortised cost	58,574	38,600	316,910	414,084
Investments carried at FVTPL	-	-	14,858	14,858
Fair value through other comprehensive income	-	-	64,019	64,019
Statutory deposits	73,760	156	195,195	269,111
Cash and cash equivalents	86,987	41,914	4,519	133,420
Less: Allowance for expected credit losses	-	-	-	-
	219,321	80,670	595,501	895,492

35. RISK MANAGEMENT (continued)

c) Financial risks (countinued)

i) Credit risk (countinued)
The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position.

	31 December 2023 AED'000	*31 December 2022 AED'000 (Restated)*
Investments held at amortised cost	**309,062**	414,084
Participants' investments in unit-linked contracts	**2,020,883**	1,948,146
Investments carried at FVTPL	**323**	14,858
Takaful contract assets	**6,801**	-
Retakaful contract assets	**348,462**	281,846
Other receivables and prepayments	**62,179**	62,966
Statutory deposits	**283,526**	269,111
Bank balances	**144,149**	133,420
	3,175,385	3,124,431

For more detail on the maximum exposure to credit risk for each class of financial instrument, references have been aded to the specific notes. The table below provides information regarding the credit risk exposure of the Group by classifying assets according to the Group's credit rating of counterparties.

At 31 December 2023

	Neither past due nor impaired			
	Investment grade AED'000	***Non-investment grade AED'000***	***Past due or impaired AED'000***	***Total AED'000***
Investments held at amortised cost	**86,618**	**283,365**	-	**369,983**
Participants' investments in unit-linked contracts	**2,020,883**	-	-	**2,020,883**
Investments carried at FVTPL	-	**323**	-	**323**
Takaful contract assets	**6,801**	-	-	**6,801**
Retakaful contract assets	**348,462**	-	-	**348,462**
Other receivables and prepayments	**62,179**	-	-	**62,179**
Statutory deposits	**70,144**	**213,382**	-	**283,526**
Bank balances	**107,764**	**38,038**	-	**145,802**
	2,702,851	**535,108**	-	**3,237,959**
Less: Allowance for expected credit losses	**(1,969)**	**(62,408)**	-	**(64,377)**
	2,700,882	**472,700**	-	**3,173,582**

35. RISK MANAGEMENT (continued)

c) Financial risks (countinued)

i) Credit risk (countinued)

At 31 December 2022

	Neither past due nor impaired			
	Investment grade AED'000	*Non-investment grade AED'000*	*Past due or impaired AED'000*	*Total AED'000*
Investments held at amortised cost	97,174	316,910	-	414,084
Participants' investments in unit-linked contracts	1,948,146	-	-	1,948,146
Investments carried at FVTPL	-	14,858	-	14,858
Retakaful contract assets	281,846	-	-	281,846
Other receivables and prepayments	62,966	-	-	62,966
Statutory deposits	88,331	195,195	-	283,526
Bank balances	128,901	4,519	-	133,420
	2,607,364	531,482	-	3,138,346

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.

At 31 December 2023

	Less than one year AED'000	***More than one year AED'000***	***Total AED'000***
Assets			
Held at amortised costs	**180,035**	**189,948**	**369,983**
Investment fair value through OCI	**86,480**	**-**	**86,480**
Investments carried at FVTPL	**323**	**-**	**323**
Statutory deposits	**160,019**	**123,507**	**283,526**
Cash and bank balances	**145,802**	**-**	**145,802**
Less: Provision for expected credit losses	**(7,186)**	**(57,191)**	**(64,377)**
Total assets	**565,473**	**256,264**	**821,737**
Liabilities			
Lease liabilities	**2,507**	**2,188**	**4,695**
Total liabilities	**2,507**	**2,188**	**4,695**

35. RISK MANAGEMENT (continued)

c) Financial risks (countinued)

ii) Liquidity risk

Maturity profiles (continued)

31 December 2022

	Less than one year AED'000	*More than one year AED'000*	*Total AED'000*
Assets			
Held at amortised cost	136,344	277,740	414,084
Investment fair value through OCI	64,019	-	64,019
Investments carried at FVTPL	14,858	-	14,858
Statutory deposits	161,495	107,616	269,111
Cash and bank balances	133,445	-	133,445
Total assets	510,161	385,356	895,517
Liabilities			
Lease liabilities	2,755	6,066	8,821
Total liabilities	2,755	6,066	8,821

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.

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 2023	***Financial assets AED'000***	***Financial liabilities AED'000***	***Net AED'000***
Currency			
USD	**510,966**	**(187,584)**	**323,382**
EGP	**236,081**	**(128,084)**	**107,997**
CFA	**75**	**(650)**	**(575)**
DZD	**328,284**	**(124,569)**	**203,715**
Others	**64,122**	**(8)**	**64,122**

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

35. RISK MANAGEMENT (continued)

c) Financial risks (countinued)

iii) Market risk (continued)

Currency risk (continued)
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 2023	***Change in exchange rates***	***Profit or loss AED'000***	***Other comprehensive income AED'000***
Financial assets	**+5%**	**-**	**+56,976**
	-5%	**-**	**-56,976**
Financial liabilities	**+5%**	**-**	**+22,045**
	-5%	**-**	**-22,045**

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

35. RISK MANAGEMENT (continued)

35.1 Claims development process

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date. The Group has not disclosed previously unpublished information about claims development that occurred earlier than five years before the end of the annual reporting period in which it first applies IFRS 17.

Takaful claims-gross Underwriting year (cumulative amounts)	*2019 AED'000*	*2020 AED'000*	*2021 AED'000*	*2022 AED'000*	*2023 AED'000*	*Total AED'000*
Development year 1	152,464	232,193	211,986	230,016	595,312	595,312
Development year 2	273,502	417,386	382,027	612,499	-	612,499
Development year 3	285,864	468,915	515,580	-	-	515,580
Development year 4	321,586	578,098	-	-	-	578,098
Development year 5	457,764	-	-	-	-	457,764
Current estimate of cumulative claims (A)	457,764	578,098	515,580	612,499	595,312	2,759,253
Cumulative payments to date (B)	(421,975)	(541,822)	(486,904)	(563,401)	(316,806)	(2,330,908)
	35,789	36,276	28,676	49,098	278,506	428,344
Provision for prior years						7,203

Total reserve included in the consolidated statement of financial position as part of the gross claim (excluding family takaful reserve)	**435,548**
Effect of discounting	**(21,936)**
Effect of risk adjustment for non-financial risk	**21,204**
Others*	**126,094**
Total Gross Liability for Incurred Claims	**560,910**

* Others includes Insurance claims and other related payables

35. RISK MANAGEMENT (continued)

35.1 Claims development process (continued)

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	63,205	92,333	86,769	93,826	327,629	327,629
Development year 2	106,877	170,653	161,111	298,267	-	298,267
Development year 3	111,032	185,497	249,567	-	-	249,567
Development year 4	118,560	260,987	-	-	-	260,987
Development year 5	186,756	-	-	-	-	186,756
Current estimate of cumulative claims **(A)**	186,756	260,987	249,567	298,267	327,629	1,323,205
Cumulative payments to date **(B)**	(182,084)	(255,610)	(241,174)	(278,125)	(200,605)	(1,157,599)
	4,672	5,377	8,392	20,142	127,023	165,606

Liability recognised in the consolidated statement of financial position as part of net claim	**1,541**
Reserve in respect of years prior to 2018 part of the net claim	
Effect of discounting	**(7,762)**
Effect of risk adjustment for non-financial risk	**4,997**
Others	**62,570**
Total Gross Liability for Incurred Claims	**226,952**

35. RISK MANAGEMENT (continued)

35.2 Sensitivity analysis

Sensitivity analysis for contracts measured under PAA

	31 December 2023		*31 December 2022*	
	LIC	***Impact on LIC***	*LIC*	*Impact on LIC*
Takaful Contract Liabilities	**442,474**	**-**	369,648	-
Takaful Contract Assets	**(265,453)**	**-**	(195,798)	-
	177,021	**-**	173,849	-
5% increase LIC				
Takaful Contract Liabilities	**464,598**	**(22,124)**	388,130	(18,482)
Takaful Contract Assets	**(278,725)**	**13,273**	(205,588)	9,790
	185,872	**(8,851)**	182,542	(8,692)
5% decrease LIC				
Takaful Contract Liabilities	**420,350**	**22,124**	351,165	18,482
Takaful Contract Assets	**(252,180)**	**(13,273)**	(186,008)	(9,790)
	168,170	**8,851**	165,157	8,692

Sensitivity analysis for contracts not measured under PAA

	31 December 2023		*31 December 2022*	
	LIC	***Impact on LIC***	*LIC*	*Impact on LIC*
Takaful Contract Liabilities	**118,436**	**-**	119,778	-
Takaful Contract Assets	**(68,505)**	**-**	(59,072)	-
	49,931	**-**	60,706	-
5% increase LIC				
Takaful Contract Liabilities	**124,358**	**(5,922)**	125,767	(5,989)
Takaful Contract Assets	**(71,930)**	**3,425**	(62,026)	2,954
	52,427	**(2,497)**	63,741	(3,035)
5% decrease LIC				
Takaful Contract Liabilities	**112,514**	**5,922**	113,789	5,989
Takaful Contract Assets	**(65,080)**	**(3,425)**	(56,119)	(2,954)
	47,434	**2,497**	57,670	3,035

35. RISK MANAGEMENT (continued)

35.3 Concentration of insurance risk

The Group's underwriting business is mainly based within GCC countries.

In common with other insurance companies, in order to minimise financial exposure arising from large insurance claims, the Group, in the normal course of business, enters into arrangement with other parties for reinsurance purposes.

To minimise its exposure to significant losses from reinsurer 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. Retakaful ceded contracts do not relieve the Group from its obligations to policyholders. The Group remains liable to its policyholders for the portion reinsured to the extent that any reinsurer does not meet the obligations assumed under the reinsurance agreements.

The Group's Insurance contract liabilites classified based on business segment is noted below.

	31 December 2023			*31 December 2022*		
	Non-Life AED '000	***Life AED '000***	***Total AED '000***	*Non-Life AED '000*	*Life AED '000*	*Total AED '000*
Insurance contract liabilities – net	**(261,640)**	**(2,040,878)**	**(2,302,519)**	(459,538)	(2,077,089)	(2,536,627)
Reinsurance contract assets – net	**181,124**	**(78,399)**	**102,725**	264,812	(78,399)	186,413

36. PROVISION FOR EXPECTED CREDIT LOSSES

	Notes	***ECL recorded on 1 Jan 2023 AED'000***	***Provision/reversal recorded during the year AED'000***	***Closing Balance AED'000***
ECL on Financial Assets				
Statutory Deposits	10	10	(10)	-
Investments - Financial instruments at FVOCI	11	56	1,964	2,020
Investments at Amortized Cost	11	298	60,406	60,704
Retakafuls' share of outstanding claims	18	-	252	252
Contributions and takaful balance receivables	18	-	4,171	4,171
Other assets and receivables	16	349	14,876	15,225
Bank balances and cash	17	25	1,628	1,653
Total		**738**	**83,287**	**84,025**

37. OTHER OPERATING EXPENSES

	31 December 2023 AED'000	*31 December 2022 AED'000*
Staff costs	**23,638**	19,303
Depreciation	**1,418**	894
Rent	**1,057**	929
Movement in family takaful reserves	**22,389**	15,014
Software Licenses	**4,125**	1,886
Professional Services Fee	**3,536**	2,846
Others	**49,129**	45,622
	105,292	86,494

38. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are:

- To comply with the capital requirements required by the UAE Federal Law No. (48) of 2023 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.

	2023 AED'000	*2022 AED'000*
Minimum regulatory capital	**100,000**	100,000
Total shareholders' equity	**587,975**	746,059

Section 2 of the Financial Regulations for Takaful Companies (the "Regulations") issued by the Central Bank of UAE identifies the required solvency margin to be held in addition to takaful liabilities. The solvency margin must be maintained at all times throughout the year. The Group acknowledges its responsibility to comply with relevant regulations and is actively undertaking measures. Corrective actions are being implemented to ensure ongoing and complete adherence to regulatory requirements.

The UAE Insurance Authority has issued resolution No. 42 for 2009 setting the minimum subscribed or paid-up capital of AED 100 million for establishing an insurance firm and AED 250 million for a retakaful firm. The resolution also stipulates that at least 75 percent of the capital of the insurance companies established in the UAE should be owned by UAE or Gulf Cooperation Council national individuals or corporate bodies. The Company is complying with the above requirements.

38. CAPITAL RISK MANAGEMENT (continued)

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

	31 December 2023 AED'000	*31 December 2022 AED'000*
Minimum Capital Requirement (MCR)	**100,000**	100,000
Solvency Capital Requirement (SCR)	**277,592**	238,159
Minimum Guarantee Fund (MGF)	**156,485**	148,427
Basic Own Funds	**111,248**	198,261
Ancillary Own Funds	**140,000**	90,000
MCR Solvency Margin - surplus/(deficit)	**11,248**	98,261
SCR Solvency Margin - surplus/(deficit)	**(96,344)**	5,102
MGF Solvency Margin - surplus/(deficit)	**24,763**	94,834

During the year, the Group's bank has issued a letter of guarantee for AED 50,000 thousand (2022: AED 160,000 thousand) in favor of the Central Bank of UAE to improve the solvency requirements of the Group.

39. FEES AND PENALTIES

During the year ended 31 December 2023, Group has paid fees and penalties amounting to AED 33 thousand (2022: AED nil).

40. DIVIDEND AND BOARD REMUNERATION

At the annual general meeting held on 24 April 2023, the shareholders have approved the Directors Remuneration fee subject to the compliance with the rules & regulation. Subsequently, the Group has paid BOD remuneration of AED 2,377 thousand for the year ended 31 December 2022 (31 December 2021: AED 4,800 thousand). No dividend was approved for the year ended 31 December 2022. (2021: 2 fils per share AED 23.75 million for year ended 31 December 2021)

41. AUDIT REMUNERATION

Auditors' remuneration for the statutory audit of the Group's consolidated financial statements for the year ended 31 December 2023 amounts to AED 600 thousand (2022: AED 580 thousand). Auditors' remuneration for the review of the Group's interim condensed consolidated financial statements during the year ended 31 December 2023 amounts to AED 285 thousand (2022: AED 210 thousand). Fee for other statutory and other audit related services provided by the auditors to the Group amounts to AED thousand 839 thousand (2022: AED 210 thousand).

42. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors and authorized for issue on 29 March 2024.

43. UAE CORPORATE TAXATION

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

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

The UAE CT Law shall apply to the Group with effect from 1 January 2024. The MoF continue to issue supplemental Decisions of the Cabinet of Ministers of the UAE (Decisions) to further clarify certain aspects of the UAE CT Law. Such Decisions, and other interpretive guidance of the UAE Federal Tax Authority, are required to fully evaluate the impact of the UAE CT Law on the Group.

Assessment of Temporary Differences necessitating accounting of Deferred Tax
Since the provisions of the UAE CT law will apply to Tax Periods commencing on or after 1 June 2023, the related current taxes shall be accounted for in the financial statements for the period beginning 1 January 2024. However, the related deferred tax accounting impact has been considered for the financial year ended 31 December 2023. Following assessment of the potential impact of the UAE CT Law on the balance sheet, we do not consider there to be material temporary differences on which deferred taxes should be accounted.

44. 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 consideration will be AED 15 million subject to customary adjustments and regulatory approvals. The portfolio will add synergies to Salama's existing offering and create value for the shareholders, by expanding its market leading position. The transaction is not expected to have any impact on the rights of Salama's shareholders.

The discussions between the parties are at the final stage, subject to signing of binding agreements and obtaining necessary approvals (including Sharia approvals and regulatory approvals). The targeted execution date of the transaction is during the year ending 31 December 2024, 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.

45. OTHER INFORMATION

As per the Central Bank of UAE reporting requirements, the following disclosures are provided:

2023

Description	***Life Insurance (Without Medical & Fund Accumulation) AED'000 (A)***	***Fund Accumulation AED'000 (B)***	***Medical Insurance AED'000 (C)***	***Property & Liability (Without Medical) AED'000 (D)***	***All Types of Business Combined AED'000 (E)=(A)+(B)+(C)+(D)***
Direct Written Premiums	**612,300**	**-**	**468,404**	**221,871**	**1,302,575**
Assumed Business	**-**	**-**	**-**	**-**	**-**
Foreign	**-**	**-**	**-**	**-**	**-**
Local	**-**	**-**	**-**	**3,389**	**3,389**
Total Assumed Business	**-**	**-**	**-**	**3,389**	**3,389**
Gross Written Premiums	**612,300**	**-**	**468,404**	**225,260**	**1,305,964**

2022

Description	*Life Insurance (Without Medical & Fund Accumulation) AED'000 (A)*	*Fund Accumulation AED'000 (B)*	*Medical Insurance AED'000 (C)*	*Property & Liability (Without Medical) AED'000 (D)*	*All Types of Business Combined AED'000 (E)=(A)+(B)+(C)+(D)*
Direct Written Premiums	623,693	-	396,743	178,236	1,198,672
Assumed Business	-	-	-	-	-
Foreign	-	-	-	-	-
Local	-	-	-	4,146	4,146
Total Assumed Business	-	-	-	4,146	4,146
Gross Written Premiums	623,693	-	396,743	182,383	1,202,819