

**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 2024**

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

## Consolidated financial statements

31 December 2024

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## Report from the Board of Directors

The Board of Directors of the Islamic Arab Insurance Company (Salama) is pleased to present the 45th Board of Directors' Report, along with the audited consolidated financial statements for the year ended December 31, 2024.

Salama completed its 45th year in 2024, marking a significant milestone that reaffirms its position as one of the world's largest and oldest Takaful providers. The company offers ethical, community-driven, and sustainable insurance solutions that adhere to Shariah principles. Salama's stability and success can be attributed to its customer-focused approach, placing clients and partners at the heart of the business, and its commitment to its core values and principles. The company continues to develop award-winning solutions that meet the evolving protection needs of both individual and corporate customers. Today, we protect over 450,000 customers and provide over AED 10 billion in insurance coverage.

### Insurance and Takaful in the UAE

The UAE's insurance sector continues to expand, driven by economic development, population growth, and increasing awareness of the importance of insurance.

The Takaful sector is a key component of the UAE's insurance landscape and continues to grow due to rising demand and higher motor insurance rates following last year's floods.

Amid this positive industry outlook, Salama is well-positioned for growth by leveraging its digital platform and comprehensive suite of Takaful insurance products and services while setting industry benchmarks for customer-centric Takaful solutions.

### Company Performance

Salama's insurance revenue declined by 6% compared to the previous year, primarily due to its commitment to maintaining underwriting discipline and exiting non-performing accounts. Meanwhile, Salama's subsidiaries maintained stable performance, achieving a 1.6% increase in insurance revenue compared to the previous year.

The company achieved a profit before tax of AED 36.6 million, compared to a loss of AED 124.0 million in 2023. Similarly, net profit after tax saw a substantial recovery, reaching AED 24.6 million, compared to a loss of AED 139.3 million in the previous year. Earnings per share (EPS) also improved significantly, rising to AED 0.014 in 2024 from AED (0.161) in 2023.

Salama recorded total assets of AED 3,307 million, total liabilities of AED 2,973 million, and total equity of AED 334 million.

As part of its efforts to resolve legacy issues in the balance sheet, Salama has made full provisions for the impairment of its qualified assets, amounting to AED 288.5 million. This was executed through the restatement of the 2023 opening balance against qualified assets and equity, in accordance with International Accounting Standard 8 (IAS 8). After adjusting for the qualified assets, shareholders' equity stands at AED 284 million.

Following the provision for impairment of the qualified assets, these qualifications have been fully resolved, and the external auditor's opinion is now an unqualified "clean" opinion.



## Awards and Recognition

Salama has been recognized by local and international organizations, and regulatory authorities, for our customer focus and excellence. Below is a list of our recent awards:

- 3rd place at Emirates Labour Market awards in the Financial and Insurance activities category, 2024
- Insurance Leader of the Year – Digital Insurance MENA, 2024
- Leadership in Shariah Compliant Financial Services – Global Islamic Fintech Forum, 2024
- Lifetime Achievement of the Year Award for CEO – Insurtech ME, 2024
- Best Family Takaful Company – Global Takaful Awards, 2024
- Best Takaful Provider – MEA Finance Industry Awards, 2023 & 2024
- Takaful Company of the Year at InsureTek Middle East, 2023
- Takaful Specialist at the Mena Insurance Awards, 2023

## 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.

## Audit Qualifications

The company has proactively ensured financial prudence by fully provisioning for the impairment of its qualified assets, totalling AED 288.5 million. This strategic measure, executed through the restatement of the 2023 opening balance in accordance with IAS 8, reinforces our commitment to transparency, compliance, and long-term financial stability.

## Concluding Remarks


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



### Board of Directors

- H.E. Fahad AlQassim – Chairman
- Mr. Fareed Lutfi Ali Hussain Al Harmouzi – Vice Chairman
- Mr. Ammar Ali Mohamed Jaber – Board Member
- Mr. Saeed bin Mohammed Al Qassimi – Board Member
- Mrs. Maha Abdul Majeed Al-Fahim – Board Member
- Mr. Mohamed Al Hashmi – Board Member

On Behalf of the Board:

Signed by:  
  
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Fahad AlQassim  
Chairman of the Board of Directors  
26<sup>th</sup> of March 2025

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ISLAMIC ARAB INSURANCE CO. (SALAMA) PJSC**

### **Report on the audit of the consolidated financial statements**

#### **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 2024, 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, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

#### **Basis for opinion**

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) 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 opinion.

#### **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. 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.

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

**Report on the audit of the consolidated financial statements (continued)**

**Key audit matters (continued)**

Key Audit Matter	How our audit Addressed the Key Audit Matter
<p><b><u>Accounting for takaful revenue for contracts measured under Premium Allocation Approach (PAA)</u></b></p> <p>During the year ended 31 December 2024, the Group has recorded takaful revenue from contracts measured under PAA amounting to AED 908,582 thousand (note 26).</p> <p>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.</p> <p>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.</p> <p>Due to the complexities involved and risk of overstatement, this matter is to be considered as a key audit matter.</p>	<p>The work that we performed to address this key audit matter included the following procedures:</p> <ul style="list-style-type: none"> <li>• We performed walkthrough of the revenue process and control testing over PAA premium underwriting and recording;</li> <li>• 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;</li> <li>• For a sample of revenue items that are recognized during the year, we performed the following: <ul style="list-style-type: none"> <li>◦ 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</li> <li>◦ Traced the policies recorded to the underlying contracts.</li> </ul> </li> <li>• 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;</li> <li>• 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</li> <li>• Performed testing on the determination of liability for remaining coverage (LRC) and associated movements.</li> </ul>

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

**Report on the audit of the consolidated financial statements (continued)**

**Key audit matters (continued)**

Key audit matter	How our audit addressed the key audit matter
<p><b><u>Valuation of takaful contract liabilities, retakaful contract assets and retakaful contract liabilities</u></b></p> <p>As at 31 December 2024, takaful contract liabilities, retakaful contract assets and retakaful contract liabilities amounted to AED 2,595,416 thousand, AED 470,860 thousand and 121,544 thousand respectively (note 13).</p> <p>The Group adopted the PAA model to value its general takaful and short-term life contracts.</p> <p>The Group adopted the General Measurement Model and Variable Fee Approach models to value its long-term life contracts.</p> <p>Any misstatement in relation to valuation of takaful contract liabilities would affect the liabilities under takaful contracts and related income statement accounts.</p> <p>Based on the above factors which involves significant judgements and estimation, this is to be considered as a key audit matter.</p>	<p>The work that we performed to address this key audit matter, included the following procedures:</p> <ul style="list-style-type: none"> <li>• We obtained an understanding of the Group's process for determining the key actuarial assumptions;</li> <li>• Performed risk assessment on the assumptions (economic and non-economic) and assessed the management's approach to deriving these assumptions;</li> <li>• Reviewed the method used by management in deriving the key assumptions by benchmarking to other market data;</li> <li>• On sample basis, performed claims testing on incurred claims to supporting documents such as reports from loss adjusters and confirmations obtained from lawyers;</li> <li>• We engaged our EY actuarial specialists to review the methodology, assumptions and other key inputs and to test a sample of the actuarial balances;</li> <li>• Evaluated the skills, qualifications, and competence of the Group's appointed actuary;</li> <li>• Assessed the management's determination of the split of expenses between qualifying and non-qualifying expenses by considering the nature of the expenses;</li> <li>• Reviewed management's analysis of changes in the reserves and tested the rationale given for key changes year on year;</li> <li>• 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;</li> <li>• Tested the application of the risk adjustment in management's models.</li> <li>• 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.</li> <li>• We assessed the disclosures in the consolidated financial statements relating to this matter against the requirements of IFRS.</li> </ul>



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

**Report on the audit of the consolidated financial statements (continued)**

**Key audit matters (continued)**

Key Audit Matter	How our audit Addressed the Key Audit Matter
<p><b><u>Valuation of goodwill</u></b></p> <p>As at 31 December 2024, the carrying value of goodwill amounted to AED 65,633 thousand which has arisen from historic acquisitions made by the Group. During the year, the Group has recorded no impairment on the same (note 6).</p> <p>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.</p> <p>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 judgments arise from the selection of market-based metrics, such as comparable company multiples, market prices, and industry benchmarks, used in the market approach valuation models.</p>	<p>The work that we performed to address this key audit matter included the following procedures:</p> <ul style="list-style-type: none"> <li>• Obtained from management the goodwill valuation and the external consultant's report based on the market approach.</li> <li>• Evaluated the key assumptions used in the market approach for goodwill impairment testing, specifically focusing on comparable company multiples, recent market transactions, and fair value estimates.</li> <li>• Assessed the relevance and reliability of the market data and comparable companies used in the valuation by comparing them to external sources and forming our own assessment.</li> <li>• Engaged our internal specialists to assist in reviewing the appropriateness of the market approach methodology, including the selection of comparable companies and the calculation of valuation multiples.</li> <li>• Verified the integrity and mathematical accuracy of the goodwill impairment model under the market approach.</li> <li>• Considered the adequacy of the Group's disclosures in respect of its goodwill impairment testing based on the market approach. We also considered the adequacy of the Group's disclosures in respect of its goodwill impairment testing.</li> </ul>

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ISLAMIC ARAB INSURANCE CO. (SALAMA) PJSC (continued)**

### **Report on the audit of the consolidated financial statements (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 consolidated 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 the consolidated financial statements in accordance with IFRS Accounting Standards, and in compliance with the applicable provisions of the Company's Articles of Association and the UAE Federal 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 consolidated 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 consolidated 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.

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

**Report on the audit of the consolidated financial statements (continued)**

**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 consolidated 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes 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, actions taken to eliminate threats or safeguards applied.

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 Law No. 32 of 2021, we report that for the year ended 31 December 2024:

- 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 Law No. 32 of 2021;
- iv) the financial information included in the Directors' report is consistent with the books of account of the Company;
- v) investments in shares and stocks during the year ended 31 Dec 2024, are disclosed in note 11 to the consolidated financial statements;
- vi) note 15 to the consolidated financial statements reflects 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 2024 any of the applicable provisions of the UAE Federal Law No. 32 of 2021 or its Articles of Association, which would have a material impact on its activities or its financial position as of 31 December 2024; 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.

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

For Ernst & Young



Ashraf Abu Sharkh  
Registration No: 690

26 March 2025

Dubai, United Arab Emirates

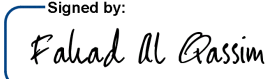
**ISLAMIC ARAB INSURANCE CO. (SALAMA) PJSC AND ITS SUBSIDIARIES****CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 31 December 2024

		<b>31 December 2024</b>	<b>31 December 2023</b>	<b>1 January 2023</b>
	<i>Notes</i>	<b>AED'000</b>	<b>AED'000</b>	<b>AED'000</b>
			<i>(Restated*)</i>	<i>(Restated*)</i>
<b>ASSETS</b>				
Property and equipment	5	<b>46,721</b>	47,382	34,467
Goodwill and intangibles	6	<b>67,188</b>	68,016	117,819
Investment properties	7	<b>48,840</b>	60,419	58,819
Right-of-use assets	8	<b>6,525</b>	4,595	8,734
Investment in associate	9	<b>35,885</b>	35,352	35,188
Statutory deposits	10	<b>298,841</b>	283,526	269,111
Investments	11	<b>222,742</b>	224,191	323,090
Participants' investments in unit-linked contracts	11	<b>1,919,837</b>	2,020,883	1,948,146
Deposits with takaful and retakaful companies	12	<b>748</b>	974	1,347
Takaful contract assets	13	-	6,801	-
Retakaful contract assets	13	<b>470,860</b>	348,462	281,846
Other assets and receivables	16	<b>39,996</b>	80,394	72,704
Bank balances and cash	17	<b>148,773</b>	144,179	133,445
<b>TOTAL ASSETS</b>		<b>3,306,956</b>	3,325,174	3,284,716
<b>LIABILITIES AND EQUITY</b>				
<b>Liabilities</b>				
Family takaful reserve		<b>71,846</b>	77,160	54,770
Takaful contract liabilities	13	<b>2,595,416</b>	2,543,428	2,366,360
Retakaful contract liabilities	13	<b>121,544</b>	162,050	185,201
Other payables and accruals	18	<b>177,567</b>	169,098	141,759
Lease liabilities	8	<b>6,203</b>	4,695	8,821
<b>Total liabilities</b>		<b>2,972,576</b>	2,956,431	2,756,911
<b>Equity</b>				
Share capital	20	<b>939,589</b>	939,589	1,210,000
Treasury shares	21	<b>(35,972)</b>	(35,972)	(35,972)
Statutory reserve	22	<b>4,124</b>	2,815	104,077
Other reserves	23	<b>(179,832)</b>	(154,533)	(160,133)
Accumulated losses		<b>(443,861)</b>	(452,391)	(660,380)
<b>Equity attributable to Owners of the Company</b>		<b>284,048</b>	299,508	457,592
Non-controlling interest	24	<b>50,332</b>	69,235	70,213
<b>Total equity</b>		<b>334,380</b>	368,743	527,805
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>3,306,956</b>	3,325,174	3,284,716

\*Comparative information has been restated on account the assets under litigation have been fully provided (refer note 44).

These consolidated financial statements were authorised for issue and approved by the Board of Directors on 26 March 2025 and signed on their behalf by:

Signed by:  
  
 811AB816E3C6462...  
 Fahad Abdulqader Alqassim  
 Chairman of the Board of Directors

  
 Mohamed Ali Bouabane  
 Chief Executive Officer

The attached notes 1 to 44 form part of these consolidated financial statements.

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

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2024

	Notes	2024 AED'000	2023 AED'000
Takaful revenue	26	1,046,378	1,111,005
Takaful service expenses	27	(979,723)	(1,008,996)
Net expenses from retakaful contracts held		(41,038)	(55,885)
<b>TAKAFUL SERVICE RESULT</b>		<b>25,617</b>	<b>46,124</b>
Policyholders' investment income	25	106,489	199,543
Shareholders' investment income	25	52,695	79,534
<b>NET INVESTMENT RESULT</b>		<b>159,184</b>	<b>279,077</b>
Takaful finance expense for takaful contracts issued	28	(117,891)	(228,486)
Retakaful finance income for retakaful contracts held	28	1,317	6,729
<b>NET TAKAFUL FINANCE EXPENSE</b>		<b>(116,574)</b>	<b>(221,757)</b>
<b>NET TAKAFUL AND INVESTMENT RESULT</b>		<b>68,227</b>	<b>103,444</b>
Other operating income		26,640	10,112
Other operating expenses	37	(52,070)	(105,292)
Provision for expected credit losses	36	(6,180)	(83,287)
Impairment of goodwill	6	-	(49,007)
<b>PROFIT/(LOSS) BEFORE TAX</b>		<b>36,617</b>	<b>(124,030)</b>
Income tax expense	29	(12,028)	(15,297)
<b>NET PROFIT/(LOSS) AFTER TAX</b>		<b>24,589</b>	<b>(139,327)</b>
<b>Attributable to:</b>			
Shareholders		13,091	(158,389)
Non-controlling interests		11,498	19,062
		<b>24,589</b>	<b>(139,327)</b>
<b>Basic and diluted earnings per share (AED)</b>	30	<b>0.014</b>	<b>(0.161)</b>

The attached notes 1 to 44 form part of these consolidated financial statements.

**ISLAMIC ARAB INSURANCE CO. (SALAMA) PJSC AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
For the year ended 31 December 2024

	<i>Notes</i>	<b>2024</b> <b>AED'000</b>	<b>2023</b> <b>AED'000</b>
<b>Net profit/(loss) after tax</b>		<b>24,589</b>	(139,327)
<b>OTHER COMPREHENSIVE LOSS</b>			
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods</i>			
Net change in foreign exchange translation reserve	23.2	<b>(43,723)</b>	(15,243)
Share of other comprehensive income of associate	9	<b>(63)</b>	(411)
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods</i>			
Net change in revaluation reserves	5	-	14,529
Net changes in fair value of investments at FVOCI		<b>(2,811)</b>	(2,832)
<b>TOTAL OTHER COMPREHENSIVE LOSS</b>		<b>(46,597)</b>	(3,957)
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<b>(22,008)</b>	(143,284)
<b>Attributable to:</b>			
Shareholders		<b>(14,083)</b>	(154,393)
Non-controlling interest		<b>(7,925)</b>	11,109
		<b>(22,008)</b>	(143,284)

The attached notes 1 to 44 form part of these consolidated financial statements.

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2024

	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 2024	939,589	2,815	34,118	(163,767)	(30,397)	(35,972)	(452,391)	5,513	299,508	69,235	368,743
Profit for the year	-	-	-	-	-	-	13,091	-	13,091	11,498	24,589
<i>Other comprehensive loss</i>											
Net movement in foreign exchange translation reserve	-	-	-	(24,300)	-	-	-	-	(24,300)	(19,423)	(43,723)
Net changes in fair value of investments	-	-	-	-	(2,811)	-	-	-	(2,811)	-	(2,811)
Share of other comprehensive loss of associate (note 9)	-	-	-	-	(63)	-	-	-	(63)	-	(63)
Total other comprehensive loss	-	-	-	(24,300)	(2,874)	-	-	-	(27,174)	(19,423)	(46,597)
Total comprehensive loss for the year	-	-	-	(24,300)	(2,874)	-	13,091	-	(14,083)	(7,925)	(22,008)
<i>Other equity movements</i>											
Capital increase	-	-	-	-	-	-	-	-	-	300	300
Board Remuneration (note 15)	-	-	-	-	-	-	(1,377)	-	(1,377)	-	(1,377)
Dividend paid (Note 24)	-	-	-	-	-	-	-	-	-	(11,278)	(11,278)
Transfer to statutory reserve (note 22)	-	1,309	-	-	-	-	(1,309)	-	-	-	-
Transfer to regulatory reserve (note 23)	-	-	-	-	-	-	(1,875)	1,875	-	-	-
<b>Balance at 31 December 2024</b>	<b>939,589</b>	<b>4,124</b>	<b>34,118</b>	<b>(188,067)</b>	<b>(33,271)</b>	<b>(35,972)</b>	<b>(443,861)</b>	<b>7,388</b>	<b>284,048</b>	<b>50,332</b>	<b>334,380</b>

The attached notes 1 to 44 form part of these consolidated financial statements.



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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2024

	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
At 1 January 2023 as previously reported	1,210,000	104,077	20,753	(157,049)	(27,154)	(35,972)	(372,651)	3,317	745,321	70,213	815,534
*Adjustment on correction of error (note 44)	-	-	-	-	-	-	(288,467)	-	(288,467)	-	(288,467)
Restated balance at 1 January 2023	1,210,000	104,077	20,753	(157,049)	(27,154)	(35,972)	(661,118)	3,317	456,854	70,213	527,067
Profit/(loss) for the year	-	-	-	-	-	-	(158,389)	-	(158,389)	19,062	(139,327)
<i>Other comprehensive loss</i>											
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)
<i>Other equity movements</i>											
Offset of losses (note 1, 20)	(270,411)	(101,262)	-	-	-	-	371,673	-	-	-	-
Board Remuneration	-	-	-	-	-	-	(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	-	-	-
Restated balance at 31 December 2023	939,589	2,815	34,118	(163,767)	(30,397)	(35,972)	(452,391)	5,513	299,508	69,235	368,743

\*Comparative information has been restated on account the assets under litigation have been fully provided (refer note 44).

The attached notes 1 to 44 form part of these consolidated financial statements.

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	Notes	2024 AED'000	2023 AED'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net profit/(loss) before tax		<b>36,617</b>	(124,030)
Adjustments for:			
Depreciation on property and equipment	5	<b>3,072</b>	2,756
Depreciation on right of use assets	8	<b>2,278</b>	2,598
Amortisation of intangible assets	6	<b>1,626</b>	1,854
Share of profit from associate	9	<b>(2,135)</b>	(1,805)
Impairment of goodwill	6	-	49,007
Unrealised gain/ loss on investment	25	<b>19</b>	(84)
Unrealised gain on investment properties	25	<b>(4,502)</b>	(3,599)
Allowance for expected credit losses		<b>6,180</b>	83,287
Impairment on takaful receivables		-	30,175
Operating cash flows before changes in operating assets and liabilities		<b>43,155</b>	40,159
Decrease in deposits with takaful and retakaful companies	12	<b>226</b>	373
Changes in takaful contract assets	13	<b>6,801</b>	(6,801)
Change in retakaful contract assets	13	<b>(122,398)</b>	(66,616)
Changes in takaful contract liabilities	13	<b>51,988</b>	146,893
Change in retakaful contract liabilities	13	<b>(40,506)</b>	(23,151)
Change in other assets and receivables	17	<b>40,398</b>	(7,690)
Change in family reserves	14	<b>(5,314)</b>	22,390
Change in other payables	18	<b>(8,250)</b>	17,142
Income tax paid		-	(5,100)
Net foreign exchange difference		<b>(43,723)</b>	(15,243)
Net cash (used in)/generated from operating activities		<b>(77,623)</b>	102,356
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property and equipment - net	5	<b>(3,362)</b>	(500)
Purchase of intangible assets - net	6	<b>(1,025)</b>	(1,025)
Purchase of investment property - net	7	<b>(21)</b>	-
Net movement in statutory deposits	10	<b>(15,315)</b>	(14,415)
Repayment of principal and interest on lease liability	8	<b>(2,702)</b>	(2,553)
Dividend income from associate	9	<b>1,539</b>	1,230
Change in Investments - net		<b>14,412</b>	1,728
Net movement in Participants' investments in unit-linked contracts	11	<b>101,046</b>	(72,737)
Change in term deposits under lien	17	<b>6,056</b>	270
Cash generated from/(used in) investing activities		<b>100,628</b>	(88,002)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net movement in non-controlling interest		<b>(10,978)</b>	(973)
Board of Director's remuneration	40	<b>(1,377)</b>	(2,377)
Cash used in financing activities		<b>(12,355)</b>	(3,350)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>10,650</b>	11,004
Cash and cash equivalents at 1 January		<b>125,080</b>	114,076
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 17)</b>		<b>135,730</b>	125,080

The attached notes 1 to 44 form part of these consolidated financial statements.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

### 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		Country of Incorporation
		2024	2023	
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
Salama Takaful Insurance – Egypt (formerly “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 2024*

- Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback
- Amendments to IAS 1 - Classification of Liabilities as Current or Non-current
- Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

The new and revised IFRSs had no impact on the Group’s consolidated financial statements.

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

<i>New and revised IFRS Accounting Standards</i>	<i>Effective for annual periods beginning on or after</i>
Lack of exchangeability – Amendments to IAS 21	1 January 2025
IFRS 18 Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19 Subsidiaries without Public Accountability: Disclosures	1 January 2027

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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

### 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) Investment properties at fair value through profit or loss.
- iv) Owned property and buildings at fair value through revaluation model.

#### 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.

#### Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2024. 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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

### 3 BASIS OF PREPARATION (continued)

#### Basis of consolidation (continued)

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 subsidiaries at 31 December 2024 are mentioned in Note 1.

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. MATERIAL ACCOUNTING POLICY INFORMATION

#### a) Business combination

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets acquired, equity instruments issued, and liabilities incurred or assumed at the date of exchange, together with the fair value of any contingent consideration payable.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of profit or loss.

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.

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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

### 4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### b) Investments in associates

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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

### 4. MATERIAL ACCOUNTING POLICY INFORMATION (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 is recognized in the consolidated financial statements on an accrual basis in accordance with IFRS 16: Leases. It is recognized as income on a straight-line basis over the lease term.

#### 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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

### 4. MATERIAL ACCOUNTING POLICY INFORMATION (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.



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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 4. MATERIAL ACCOUNTING POLICY INFORMATION (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. MATERIAL ACCOUNTING POLICY INFORMATION (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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

### 4. MATERIAL ACCOUNTING POLICY INFORMATION (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 revised 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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

### 4. MATERIAL ACCOUNTING POLICY INFORMATION (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.

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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

### 4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### r) Financial Instruments (continued)

##### *Investments and other financial assets (continued)*

##### *Measurement (continued)*

- 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.

##### *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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

### 4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### r) Financial Instruments (continued)

##### *Financial liabilities (continued)*

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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

### 4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### 4.1 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:

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

### 4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### 4.1 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.



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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

### 4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### 4.1 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.

##### *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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

### 4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### 4.1 IFRS 17 Insurance Contracts (continued)

##### *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.

##### *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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

### 4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### 4.1 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
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.
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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

### 4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### 4.1 IFRS 17 Insurance Contracts (continued)

##### *Insurance contracts measured under the premium allocation approach - Initial and Subsequent Measurement (continued)*

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

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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

### 4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### 4.1 IFRS 17 Insurance Contracts (continued)

##### *Insurance contracts measured other than PAA - Initial and Subsequent Measurement (continued)*

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).

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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

### 4. MATERIAL ACCOUNTING POLICY INFORMATION (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. MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**4.1 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, 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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

### 4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### 4.1 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. MATERIAL ACCOUNTING POLICY INFORMATION (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 2023. 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. MATERIAL ACCOUNTING POLICY INFORMATION (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 debt 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. MATERIAL ACCOUNTING POLICY INFORMATION (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. The Group employs a rigorous screening process to identify comparable companies within the Middle East and North Africa (MENA) region that demonstrate liquidity and align with key financial metrics relevant to the Investments. This includes factors such as gross written premium (GWP) size, net profit margins, and return on equity.

To establish an equity value range for the Investments, the Group applies the average traded price-to-book (P/B) multiples of these comparable companies. The P/B multiple is a widely recognized valuation metric within the insurance and financial services sectors, as it effectively captures a company's capacity to leverage its balance sheet—particularly its investments, typically recorded at fair value—to generate returns on capital.

**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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

### 5. PROPERTY AND EQUIPMENT

	<i>Land AED'000</i>	<i>Building AED'000</i>	<i>Furniture and fixtures AED'000</i>	<i>Computer AED'000</i>	<i>Vehicles AED'000</i>	<i>Capital work in progress AED'000</i>	<i>Total AED'000</i>
<b><i>Cost or valuation</i></b>							
At 1 January 2023	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	164	547	(204)	(287)	(59)	-	161
Disposals / transfer	-	-	(3)	-	-	(927)	(930)
Revaluation	1,868	8,510	-	-	-	-	10,378
At 31 December 2023	10,813	32,275	13,911	8,809	2,196	443	68,447
Additions during the year	-	115	1,144	1,848	110	593	3,810
Foreign exchange translation	(75)	(539)	(939)	(724)	(143)	-	(2,420)
Disposals / transfer	-	198	(27)	(25)	-	(594)	(448)
<b>At 31 December 2024</b>	<b>10,738</b>	<b>32,049</b>	<b>14,089</b>	<b>9,908</b>	<b>2,163</b>	<b>442</b>	<b>69,389</b>
<b><i>Accumulated depreciation</i></b>							
At 1 January 2023	-	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	(191)	(297)	3	-	(466)
Eliminated upon revaluation	-	(4,151)	-	-	-	-	(4,151)
At 31 December 2023	-	-	11,558	7,524	1,998	-	21,080
Charge for the year	-	1,558	674	763	77	-	3,072
Foreign exchange translation	-	(5)	(690)	(663)	(74)	-	(1,432)
Disposals / transfer	-	-	(27)	(25)	-	-	(52)
<b>At 31 December 2024</b>	<b>-</b>	<b>1,553</b>	<b>11,515</b>	<b>7,599</b>	<b>2,001</b>	<b>-</b>	<b>22,668</b>
<b><i>Carrying amount</i></b>							
<b>At 31 December 2024</b>	<b>10,738</b>	<b>30,496</b>	<b>2,574</b>	<b>2,309</b>	<b>162</b>	<b>442</b>	<b>46,721</b>
At 31 December 2023	10,813	32,275	2,368	1,285	198	443	47,382

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

### 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 on 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

	<i>Goodwill</i> <i>AED'000</i>	<i>Computer</i> <i>software</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
<b>Cost</b>			
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
At 1 January 2024	114,640	15,090	129,730
Additions	-	803	803
Effect of movements in exchange rates	-	(115)	(115)
<b>At 31 December 2024</b>	<b>114,640</b>	<b>15,778</b>	<b>130,418</b>
<b>Accumulated amortization and impairment losses</b>			
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
At 1 January 2024	49,007	12,707	61,714
Charge for the year	-	1,626	1,626
Effect of movements in exchange rates	-	(110)	(110)
<b>At 31 December 2024</b>	<b>49,007</b>	<b>14,223</b>	<b>63,230</b>
<b>Net book value</b>			
<b>At 31 December 2024</b>	<b>65,633</b>	<b>1,555</b>	<b>67,188</b>
At 31 December 2023	65,633	2,383	68,016

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 2024 and 2023. For impairment testing goodwill acquired through business combinations are allocated to the following subsidiaries which are considered as CGUs.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

### 6 GOODWILL AND INTANGIBLES (continued)

	<i>Salam Takaful Insurance- Egypt</i>		<i>Salama Assurances Algeria</i>		<i>Total</i>	
	<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
<b>Goodwill</b>	<b>7,420</b>	7,420	<b>58,213</b>	58,213	<b>65,633</b>	65,633

This impairment is Nil for year ended 31 December 2024 (2023: AED 49,007 thousand). For impairment testing, recoverable amount was based on fair value less cost of disposal, i.e. market approach which has been utilized to value the Company's equity stake in the Investments.

The Group conducted a screening process and identified 41 comparable companies in the Middle East and North Africa region that are liquid and exhibit similar financial metrics, such as gross written premium (GWP) size, net profit margins, and return on equity, as the Investments. To determine the equity value range for the Investments, the Group utilized the average traded price-to-book (P/B) multiples of these comparable companies. This multiple is commonly employed to value firms in the insurance and broader financial services sectors, as it reflects a company's ability to utilize its balance sheet—specifically its investments, usually recorded at fair value—to generate returns on capital.

### 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:

	<i>2024 AED'000</i>	<i>2023 AED'000 (Restated)</i>
Within U.A.E.	<b>14,000</b>	12,600
Outside U.A.E.	<b>34,840</b>	47,819
At 31 December	<b>48,840</b>	60,419

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 2024 (2023: Level 3). The rental income of properties amounts to AED 786 thousand in 2024 (2023: AED 728 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. The Group has fully provided impairment for an investment property amounting to AED 84.957 million (refer to Note 44) which is under dispute due to ongoing litigation (refer to Note 31).

	<i>2024 AED'000</i>	<i>2023 AED'000 (Restated)</i>
<b>Movement in investment properties</b>		
Balance at 1 January	<b>60,419</b>	58,819
Addition	<b>21</b>	-
Unrealized gain on investment properties (note 25)	<b>4,502</b>	3,599
Disposal	<b>(11,006)</b>	-
Currency translation differences	<b>(5,096)</b>	(1,999)
	<b>48,840</b>	60,419

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

### 8. LEASES

#### 8.1 Right-of-use assets

	2024 AED'000	2023 AED'000
Balance as at 1st January	4,595	8,734
Additions	4,433	915
Depreciation charge for the year	(2,278)	(2,598)
Foreign exchange differences	(225)	(244)
Termination	-	(2,212)
<b>Balance at 31 December</b>	<b>6,525</b>	<b>4,595</b>

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

#### 8.2 Lease liabilities

	2024 AED'000	2023 AED'000
Balance as of 1 January	4,695	8,821
Finance cost	231	237
Additions	4,433	915
Payment during the year	(2,702)	(2,553)
Foreign exchange differences	(454)	(513)
Termination	-	(2,212)
<b>Balance at 31 December</b>	<b>6,203</b>	<b>4,695</b>

The Group have taken 4.5% (2023: 4.5%) as incremental borrowing rate. The maturity analysis of lease liabilities are as follows:

	2024 AED'000	2023 AED'000
Less than one year	2,189	2,507
Between one and five years	4,014	2,188
<b>Total</b>	<b>6,203</b>	<b>4,695</b>
<b>Amount recognised in consolidated statement of profit or loss</b>		
Depreciation	2,278	2,598
Finance cost on lease liabilities	231	237
<b>Amount recognised in consolidated statement of cashflows</b>		
Payment of lease liabilities	2,702	2,553

### 9. INVESTMENT IN ASSOCIATE

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

Associate	Ownership 2024	2023	Country of incorporation	2024 AED'000	2023 AED'000
The Islamic Insurance Co. Jordan		20%	Jordan	35,885	35,352

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

### 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.

	2024 AED'000	2023 AED'000
<b>Movement during the year</b>		
Balance at 1 January	35,352	35,188
Share of profit from associates (note 25)	2,135	1,805
Dividend received	(1,539)	(1,230)
Share of other comprehensive loss	(63)	(411)
	<u>35,885</u>	<u>35,352</u>

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

	2024 AED'000	2023 AED'000
Total assets	269,921	252,193
Total liabilities	(148,366)	(132,417)
Net assets	<u>121,555</u>	<u>119,776</u>
Revenue	<u>193,423</u>	<u>114,305</u>
Profit	<u>10,675</u>	<u>9,026</u>

### 10. STATUTORY DEPOSITS

	2024 AED'000	2023 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
<i>Subsidiaries</i>		
Egyptian Saudi Insurance House	71,323	69,971
Salama Assurances Algeria	138,216	115,734
Misr Emirates Takaful Life Insurance Co.	19,302	27,821
	<u>298,841</u>	<u>283,526</u>

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 (2023: AED 210,000 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.



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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

### 11. INVESTMENTS

	31 December 2024			31 December 2023 (restated)		
	<i>Domestic investment AED'000</i>	<i>International investment AED'000</i>	<i>Total AED'000</i>	<i>Domestic investment AED'000</i>	<i>International investment AED'000</i>	<i>Total AED'000</i>
<b>(a) Financial assets at fair value through profit or loss</b>						
Shares and securities	-	723	723	-	323	323
<b>(b) Fair Value through Other comprehensive Income</b>						
Mutual fund and externally managed portfolios	4,640	75,659	80,299	6,995	78,518	85,513
Shares and securities	-	959	959	-	967	967
Less: allowance for expected credit losses	(1,066)	(58,245)	(59,311)	(2,018)	(58,246)	(60,264)
	3,574	18,373	21,947	4,977	21,239	26,216
<b>(c) At amortized cost</b>						
Sukuk and Government bonds	8,594	75,097	83,691	15,917	67,122	83,039
Wakalah certificates	54,094	-	54,094	54,094	-	54,094
Other Mudariba investments	-	65,738	65,738	-	65,738	65,738
Islamic placements	-	171,613	171,613	-	167,112	167,112
Less: allowance for expected credit losses	(54,609)	(120,455)	(175,064)	(54,609)	(117,722)	(172,331)
	8,079	191,993	200,072	15,402	182,250	197,652
	11,653	211,089	222,742	20,379	203,812	224,191
Quoted	-	723	723	-	323	323
Unquoted	11,653	210,366	222,019	20,379	203,489	223,868
	11,653	211,089	222,742	20,379	203,812	224,191

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

### 11. INVESTMENTS (continued)

Islamic Placements represent Shari'ah compliant placements with different financial institutions having profit rates of 0.22% to 5% (2023: 0.22% to 5%) and maturing in more than three months from date of acquisition. During the year ended 31 December 2024.

The following investments are subject to an ongoing legal case as described in note 31 and management fully provided for these assets as part of prior period adjustment (see note 44).

- Investment at fair value through other comprehensive income of AED 58,244 thousand (2023: AED 58,244 thousand); and
- Investments held at amortised cost of AED 111,627 thousand (2023: AED 111,627 thousand).

#### 11.1 Participants' investments in unit-linked contracts

	<i>2024</i> <i>AED'000</i>	<i>2023</i> <i>AED'000</i>
Financial asset at fair value through profit or loss	<b>1,919,837</b>	2,020,883

Movement during the year is as follows;

	<i>2024</i> <i>AED'000</i>	<i>2023</i> <i>AED'000</i>
Balance at 1 January	<b>2,020,883</b>	1,947,556
Movement due to subscription / surrenders	<b>(207,455)</b>	(126,216)
Fair value movement during the year	<b>106,409</b>	199,543
	<b>1,919,837</b>	2,020,883

### 12. DEPOSITS WITH TAKAFUL AND RETAKAFUL COMPANIES

	<i>2024</i> <i>AED'000</i>	<i>2023</i> <i>AED'000</i>
Claim deposits	<b>748</b>	974

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

### 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 2024

Amount in AED'000	Liability for remaining coverage			Liability for incurred claims (PAA)		
	Excluding loss component	Loss component	LIC for contracts not under PAA	Present value of future cash flows	Risk adjustment for non-financial risk	Total
Takaful contracts that are liabilities at beginning of year	(1,972,381)	(10,137)	(118,436)	(425,538)	(16,936)	(2,543,428)
Takaful contracts that are assets at beginning of year	6,801	-	-	-	-	6,801
<b>Takaful contracts liabilities at beginning of year</b>	<b>(1,965,580)</b>	<b>(10,137)</b>	<b>(118,436)</b>	<b>(425,538)</b>	<b>(16,936)</b>	<b>(2,536,627)</b>
<b>Takaful revenue</b>	<b>1,046,378</b>	-	-	-	-	<b>1,046,378</b>
Incurred claims and other directly attributable expenses	-	(2,353)	(47,220)	(711,652)	(12,533)	(773,758)
Changes that relate to past service - changes in the FCF relating to LIC	-	-	-	1,076	9,388	10,464
Losses on onerous contracts and reversals of those losses	-	(16,839)	-	-	-	(16,839)
Insurance acquisition cash flows amortisations	(199,590)	-	-	-	-	(199,590)
<b>Takaful service expenses</b>	<b>(199,590)</b>	<b>(19,192)</b>	<b>(47,220)</b>	<b>(710,576)</b>	<b>(3,145)</b>	<b>(979,723)</b>
<b>Takaful service result</b>	<b>846,788</b>	<b>(19,192)</b>	<b>(47,220)</b>	<b>(710,576)</b>	<b>(3,145)</b>	<b>66,655</b>
Finance expense from insurance contracts issued recognized	(97,120)	(103)	(2,187)	(17,636)	(845)	(117,891)
Forex adjustment to comprehensive income	17,573	583	1	26,733	883	45,773
<b>Total amounts recognised in profit &amp; loss and other comprehensive income</b>	<b>767,241</b>	<b>(18,712)</b>	<b>(49,406)</b>	<b>(701,479)</b>	<b>(3,107)</b>	<b>(5,463)</b>
Investment component	496,985	-	(496,985)	-	-	-
Premium received	(1,489,112)	-	-	-	-	(1,489,112)
Claims and other directly attributable expenses paid	-	-	543,193	649,463	-	1,192,656
Insurance acquisition cash flows	243,130	-	-	-	-	243,130
<b>Total cash flows</b>	<b>(1,245,982)</b>	-	<b>543,193</b>	<b>649,463</b>	-	<b>(53,326)</b>
<b>Takaful contracts liabilities at end of year</b>	<b>(1,947,336)</b>	<b>(28,849)</b>	<b>(121,634)</b>	<b>(477,554)</b>	<b>(20,043)</b>	<b>(2,595,416)</b>
Takaful contracts that are liabilities at end of year	(1,947,336)	(28,849)	(121,634)	(477,554)	(20,043)	(2,595,416)
Takaful contracts that are assets at end of year	-	-	-	-	-	-
<b>Takaful contract net position at end of year</b>	<b>(1,947,336)</b>	<b>(28,849)</b>	<b>(121,634)</b>	<b>(477,554)</b>	<b>(20,043)</b>	<b>(2,595,416)</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

### 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 2024

Amount in AED'000	Remaining Coverage		LIC for contracts not under under PAA	Incurred claims		Total
	Excluding loss component	Loss recovery component		Present value of future cash flows	Risk adjustment for non- financial risk	
Retakaful contracts held that are liabilities at beginning of year	(162,050)	-	-	-	-	(162,050)
Retakaful contracts held that are assets at beginning of year	13,049	1,455	68,505	255,218	10,235	348,462
<b>Retakaful contract net position at beginning of year</b>	<b>(149,001)</b>	<b>1,455</b>	<b>68,505</b>	<b>255,218</b>	<b>10,235</b>	<b>186,412</b>
<b>Retakaful expenses</b>	<b>(374,035)</b>	-	-	-	-	<b>(374,035)</b>
Amortisation of Insurance acquisition cash flows-						
Incurred claims recovery	-	-	14,032	327,449	8,509	349,990
Changes that relate to past service-changes in the FCF relating to incurred claims recovery-	-	-	-	(12,783)	(4,729)	(17,512)
Income on initial recognition of onerous underlying contracts	-	2,704	-	-	-	2,704
Reversal of a loss-recovery component other than changes in the FCF of reinsurance contracts held	4	(761)	1	-	-	(756)
Effect of changes in risk of reinsurers' non-performance	-	-	(262)	(1,168)	-	(1,430)
<b>Net income/(expenses) from reinsurance contracts held</b>	<b>(374,031)</b>	<b>1,943</b>	<b>13,771</b>	<b>313,498</b>	<b>3,780</b>	<b>(41,039)</b>
Finance income from reinsurance contracts held	(10,867)	-	624	10,998	562	1,317
Forex adjustment to comprehensive income	(5,257)	(221)	(1)	(10,107)	(492)	(16,078)
<b>Total amounts recognised in profit &amp; loss and Other comprehensive income</b>	<b>(390,155)</b>	<b>1,722</b>	<b>14,394</b>	<b>314,389</b>	<b>3,850</b>	<b>(55,800)</b>
<b>Cash flows</b>						
Premiums paid net of ceding commissions and other directly attributable expenses	446,209	-	-	-	-	446,209
Recoveries from retakaful	-	-	(22,252)	(205,253)	-	(227,505)
<b>Total cash flows</b>	<b>446,209</b>	<b>-</b>	<b>(22,252)</b>	<b>(205,253)</b>	<b>-</b>	<b>218,704</b>
<b>Retakaful contracts held assets/ (liabilities) at end of year</b>	<b>(92,947)</b>	<b>3,177</b>	<b>60,647</b>	<b>364,354</b>	<b>14,085</b>	<b>349,316</b>
<b>Retakaful contracts held that are liabilities at end of year</b>	<b>(121,544)</b>	-	-	-	-	<b>(121,544)</b>
<b>Retakaful contracts held that are assets at end of year</b>	<b>28,596</b>	<b>3,177</b>	<b>60,648</b>	<b>364,354</b>	<b>14,085</b>	<b>470,860</b>
<b>Reinsurance contract net position at end of year</b>	<b>(92,948)</b>	<b>3,177</b>	<b>60,648</b>	<b>364,354</b>	<b>14,085</b>	<b>349,316</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

### 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 2023

Amount in AED'000	<i>Liability for remaining coverage</i>			<i>Liability for incurred claims - PAA</i>		<i>Total</i>
	<i>Excluding loss component</i>	<i>Loss component</i>	<i>LIC for contracts not under under PAA</i>	<i>Present value of future cash flows</i>	<i>Risk adjustment for non-financial risk</i>	
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)

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

### 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 2023

<i>Amount in AED'000</i>	<i>Remaining coverage</i>		<i>LIC for contracts not under under PAA</i>	<i>Incurred claims</i>		<i>Total</i>
	<i>Excluding loss component</i>	<i>Loss recovery component</i>		<i>Present value of future cash flows</i>	<i>Risk adjustment for non-financial risk</i>	
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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

### 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 2024**

	<i>Best estimate liability</i>	<i>Risk adjustment</i>	<i>Contractual service margin</i>	<i>Total</i>
<i>Amounts in AED'000</i>				
Opening takaful contract assets	-	-	-	-
Opening takaful contract liabilities	(1,579,229)	(43,722)	(438,733)	(2,061,684)
<b>Takaful contracts liabilities at beginning of year</b>	<b>(1,579,229)</b>	<b>(43,722)</b>	<b>(438,733)</b>	<b>(2,061,684)</b>
<b>Changes related to current services</b>				
CSM recognized in profit and loss	-	-	55,129	55,129
Risk Adjustment recognized in profit and loss	-	17,736	-	17,736
Experience adjustments	14,922	(34)	-	14,888
<b>Changes related to future services</b>				
Contracts initially recognized in the period	4,698	(747)	(4,801)	(850)
Changes in estimates that adjust CSM	(30,523)	(10,896)	41,419	-
Changes in estimates that result in onerous contracts or reversal of losses	(14,016)	-	-	(14,016)
Takaful finance expenses through profit and loss	(31,333)	(3,395)	(64,682)	(99,410)
Takaful finance expenses through OCI	8,526	999	5,136	14,661
<b>Total changes in statement of profit or loss and OCI</b>	<b>(47,726)</b>	<b>3,663</b>	<b>32,201</b>	<b>(11,862)</b>
Contribution received	(468,707)	-	-	(468,707)
Claims paid	543,193	-	-	543,193
Acquisition cost paid	27,040	-	-	27,040
<b>Total cash flows</b>	<b>101,526</b>	<b>-</b>	<b>-</b>	<b>101,526</b>
Closing takaful contract assets	-	-	-	-
Closing takaful contract liabilities	(1,525,429)	(40,059)	(406,532)	(1,972,020)
<b>Takaful contract net position at end of year</b>	<b>(1,525,429)</b>	<b>(40,059)</b>	<b>(406,532)</b>	<b>(1,972,020)</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

### 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 2024

<i>Amounts in AED'000</i>	<i>Best estimate liability</i>	<i>Risk adjustment</i>	<i>Contractual service margin</i>	<i>Total</i>
Opening retakaful contract assets	68,794	10,120	(10,409)	68,505
Opening retakaful contract liabilities	(228,394)	27,157	44,015	(157,222)
<b>Retakaful contracts held assets/(liabilities) at beginning of year</b>	<b>(159,600)</b>	<b>37,277</b>	<b>33,606</b>	<b>(88,717)</b>
<b>Changes related to current services</b>				
CSM recognized in profit or loss	-	-	(6,712)	(6,712)
Risk Adjustment recognized in profit or loss	-	(4,617)	-	(4,617)
Experience adjustments	(14,824)	-	-	(14,824)
Contracts initially recognized in the period	-	-	15	15
Changes in estimates that adjust CSM	(19,548)	(84)	19,632	-
Changes in the FCF that do not adjust the CSM for the group of underlying takaful contracts	-	-	(86)	(86)
Effect of changes in the risk of reinsurers non-performance	(262)	-	-	(262)
Takaful finance expenses through profit or loss	(16,236)	2,889	3,103	(10,244)
Takaful finance expenses through OCI	(8,900)	(4,531)	11,200	(2,231)
<b>Total changes in statement of profit or loss and OCI</b>	<b>(59,770)</b>	<b>(6,343)</b>	<b>27,152</b>	<b>(38,961)</b>
Contribution paid to retakaful net of commission	89,033	-	-	89,033
Recoveries from retakaful	(22,252)	-	-	(22,252)
<b>Total cash flows</b>	<b>66,781</b>	<b>-</b>	<b>-</b>	<b>66,781</b>
Closing retakaful contract assets	54,742	5,906	-	60,648
Closing retakaful contract liabilities	(207,330)	25,028	60,758	(121,544)
<b>Retakaful contract net position at end of year</b>	<b>(152,589)</b>	<b>30,934</b>	<b>60,758</b>	<b>(60,897)</b>



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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

### 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 2023

<i>Amounts in AED'000</i>	<i>Best estimate liability</i>	<i>Risk adjustment</i>	<i>Contractual service margin</i>	<i>Total</i>
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)

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

### 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**

<i>Amounts in AED'000</i>	<i>Best estimate liability</i>	<i>Risk adjustment</i>	<i>Contractual service margin</i>	<i>Total</i>
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)

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

### 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*

	<i>For the year ended 31 December 2024</i>			<i>For the year ended 31 December 2023</i>		
	<i>General Takaful AED'000</i>	<i>Family takaful AED'000</i>	<i>Total AED'000</i>	<i>General Takaful AED'000</i>	<i>Family takaful AED'000</i>	<i>Total AED'000</i>
Takaful revenue	820,654	225,724	1,046,378	853,589	257,416	1,111,005
Insurance service expenses	(855,022)	(124,701)	(979,723)	(853,167)	(155,829)	(1,008,996)
Net expenses from retakaful contracts held	7,262	(48,300)	(41,038)	(20,678)	(35,207)	(55,885)
<b>TAKAFUL SERVICE RESULT</b>	<b>(27,106)</b>	<b>52,723</b>	<b>25,617</b>	<b>(20,256)</b>	<b>66,380</b>	<b>46,124</b>
Investment and other income			185,824			289,189
Net takaful finance (expenses)/income			(116,574)			(221,757)
Other operational expenses, impairment of goodwill and income tax			(70,278)			(252,883)
<b>Net profit/(loss) profit after tax</b>			<b>24,589</b>			<b>(139,327)</b>

#### *Consolidated statement of profit or loss by geography*

	<i>For the year ended 31 December 2024</i>			<i>For the year ended 31 December 2023</i>		
	<i>Africa AED'000</i>	<i>Asia AED'000</i>	<i>Total AED'000</i>	<i>Africa AED'000</i>	<i>Asia AED'000</i>	<i>Total AED'000</i>
Takaful revenue	211,340	835,038	1,046,378	208,029	902,976	1,111,005
Takaful service expenses	(187,891)	(791,832)	(979,723)	(208,060)	(800,936)	(1,008,996)
Net expenses from retakaful contracts held	(13,039)	(27,999)	(41,038)	5,448	(61,333)	(55,885)
<b>TAKAFUL SERVICE RESULT</b>	<b>10,410</b>	<b>15,207</b>	<b>25,617</b>	<b>5,417</b>	<b>40,707</b>	<b>46,124</b>
Investment and other income			185,824			289,189
Net Takaful finance (expenses)/income			(116,574)			(221,757)
Other operational expenses, impairment of goodwill and income tax			(70,278)			(252,883)
<b>Net (loss)/profit after tax</b>			<b>24,589</b>			<b>(139,327)</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

### 14 OPERATING SEGMENT (continued)

*Consolidated statement of financial position by business as at 31 December 2024*

	<i>General takaful AED'000</i>	<i>Family takaful AED'000</i>	<i>Total AED'000</i>
<b>Assets</b>			
Property and equipment	44,227	2,494	46,721
Goodwill and intangibles	66,456	732	67,188
Investment properties	38,742	10,098	48,840
Right of use assets	6,385	140	6,525
Investments in associates	35,885	-	35,885
Deposits	163,518	135,323	298,841
Investments	169,219	53,523	222,742
Participants' investments in unit-linked contracts	-	1,919,837	1,919,837
Deposits with takaful and retakaful companies	-	748	748
Retakaful contract assets	406,591	64,269	470,860
Other assets and receivables	36,628	3,368	39,996
Bank balances and cash	67,777	80,996	148,773
	<u>1,035,428</u>	<u>2,271,528</u>	<u>3,306,956</u>
<b>Liabilities and policyholders' fund</b>			
Technical reserves	-	71,846	71,846
Takaful contract Liabilities	590,712	2,004,704	2,595,416
Retakaful contract Liabilities	-	121,544	121,544
Other payables and accruals	155,770	21,797	177,567
Lease liabilities	6,061	142	6,203
	<u>752,543</u>	<u>2,220,033</u>	<u>2,972,576</u>
Total liabilities			
Policyholders' fund	-	-	-
	<u>282,885</u>	<u>51,495</u>	<u>334,380</u>
<b>Financed by:</b>			
Shareholders' equity			284,048
Non-controlling interest			50,332
			<u>334,380</u>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

### 14 OPERATING SEGMENT (continued)

*Consolidated Statement of financial position by business as at 31 December 2023 (Restated)*

	<i>General takaful AED'000</i>	<i>Family takaful AED'000</i>	<i>Total AED'000</i>
<b>Assets</b>			
Property and equipment	45,653	1,729	47,382
Goodwill and intangibles	67,410	606	68,016
Investment properties	60,419	-	60,419
Right of use assets	4,223	372	4,595
Investments in associates	35,352	-	35,352
Deposits	191,704	91,822	283,526
Investments	121,257	102,934	224,191
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	22,261	58,133	80,394
Bank balances and cash	95,857	48,322	144,179
	<u>921,550</u>	<u>2,403,624</u>	<u>3,325,174</u>
<b>Liabilities and policyholders' fund</b>			
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
	<u>539,432</u>	<u>2,416,999</u>	<u>2,956,431</u>
Total liabilities			
Policyholders' fund	-	-	-
	<u>382,118</u>	<u>(13,375)</u>	<u>368,743</u>
<b>Financed by:</b>			
Shareholders' equity			299,508
Non-controlling interest			69,235
			<u>368,743</u>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

### 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.

	<b>2024</b> <b>AED'000</b>	<b>2023</b> <b>AED'000</b>
Contribution	<b>379</b>	-
Claims paid	<b>17</b>	-
Investment expenses	-	4,350
General and Administrative Expenses	<b>132</b>	260
	<u><b>6,007</b></u>	<u><b>5,388</b></u>
<b>Compensation of key management personnel</b>		
Short term benefits	<b>6,007</b>	5,388
Employees end of service benefits	<b>159</b>	78
	<u><b>6,166</b></u>	<u><b>5,466</b></u>
Board of Directors' remuneration	<b>1,377</b>	2,377

In the annual general assembly meeting held on 25 April 2024, the shareholders have approved the Directors' remuneration of AED 1,377 thousand for the year ended 31 December 2023 (2022: AED 2,377 thousand).

#### Balances with related parties

	<i>31 December</i> <i>2023</i> <i>AED'000</i> <i>(audited)</i>
Investments held-to-maturity Wakalah certificates*	56,456
Participants' investments in unit-linked contracts	1,172,272
Other assets and receivables	54,272

In the current reporting period, an entity previously classified as a related party due to a common directorship with Salama is no longer included. Following recent board directorship changes, the directorship link no longer exists, and the entity no longer meets the criteria for related party classification under IAS 24. Comparative numbers are enclosed for shareholders' reference.

\*Group has recorded 100% expected credit losses of AED 56,456 thousand against investments held with a related party and 14,873 thousand against profit receivable on investment from the same party.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

### 16. OTHER ASSETS AND RECEIVABLES

	2024 AED'000	2023 AED'000 (Restated)
Profit receivable	27,786	23,728
Receivable against sales of Investments	-	52,108
Deferred tax (note 29)	5,166	5,122
Others	59,187	48,300
Less: provision for credit losses (Note 36)	(52,143)	(48,864)
	<u>39,996</u>	<u>80,394</u>

The other assets and receivables include other receivables amounting to AED 33.639 million which was previously subjected to a legal case, which is disclosed in Note 31. The Group has fully provided an impairment for these assets as part of prior period adjustment, see Note 44.

The Group has provided full provision amounting to AED 14.873 million against profit receivable on investments (2023: AED 14.873 million). (Refer to note 15).

### 17. BANK BALANCES AND CASH

	2024 AED'000	2023 AED'000
Cash in hand	84	30
Cash at bank	139,328	134,788
Term deposits (Note 17.1)	11,014	11,014
Less: provision for credit losses	(1,653)	(1,653)
Bank balances and Cash	<u>148,773</u>	<u>144,179</u>
Less: term deposits under lien	(8,712)	(8,718)
Less: term deposits with maturity after three months	(4,331)	(10,381)
Cash and cash equivalent	<u>135,730</u>	<u>125,080</u>

#### Cash and bank balances – by geographical distribution

	2024 AED'000	2023 AED'000
Domestic	72,493	62,520
International	77,933	83,286
	<u>150,426</u>	<u>145,802</u>

**17.1** Term deposits carried profit ranging from 0.22% to 0.85% per annum (2023: 0.20% to 0.85% per annum).

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 18. OTHER PAYABLES AND ACCRUALS

	2024 AED'000	2023 AED'000
Payable to suppliers	68,766	57,675
Staff related accruals	10,685	11,343
Provision against doubtful debts	48,454	48,454
Accrued expenses	15,651	10,683
Other provisions	2,975	3,221
Taxes payable (note 29)	22,226	16,038
Deferred tax liabilities (note 29)	4,091	121
ECL on retakaful share of outstanding claims (note 36)	548	252
ECL on Contributions and takaful balance receivables (note 36)	4,171	4,171
Other payables	-	17,140
	<b>177,567</b>	<b>169,098</b>

### 19. POLICYHOLDERS' FUND

	2024 AED'000	2023 AED'000
Balance at 1 January	(107,265)	(32,367)
Net deficit attributable to policyholders for the year	(43,854)	(74,898)
	<b>(151,119)</b>	<b>(107,265)</b>
Financed by shareholders	<b>151,119</b>	<b>107,265</b>
Policyholders' fund	<b>-</b>	<b>-</b>

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

### 20. SHARE CAPITAL

	2024 AED'000	2023 AED'000
<i>Issued and fully paid</i>		
939,589 thousand (2023: 1,210,000 thousand) ordinary shares of AED 1 each	<b>939,589</b>	<b>939,589</b>
	<b>Number of shares</b>	<b>Value AED'000</b>
Share capital as of 1 January 2023	<b>1,210,000,000</b>	<b>1,210,000</b>
Cancellation of shares*	<b>(270,411,002)</b>	<b>(270,411)</b>
Balance as of 31 December 2023	<b>939,588,998</b>	<b>939,589</b>

\*During the year ended 31 December 2023, the Group has cancelled its 270,411 thousand AED 1 ordinary shares and the accumulated losses were adjusted against this cancellation. (note 1).



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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 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:

	2024 AED'000	2023 AED'000
Revaluation reserve	34,118	34,118
Foreign exchange translation reserve	(188,067)	(163,767)
Investment fair value reserve	(33,271)	(30,397)
Regulatory reserve – UAE operations (note 23.1)	7,388	5,513
	<u>(179,832)</u>	<u>(154,533)</u>

#### 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.

#### 23.2 Devaluation of currency

The Group owns two subsidiaries operating in Egypt and their functional currency is Egyptian Pound EGP. The significant devaluation of the Egyptian currency during the year has impacted the Group's consolidated financial statements. Group recorded a loss AED 43,723 thousand (2023: AED 15,243 thousand) in the consolidated statement of changes in equity related to translation of foreign operations into functional currency (AED). Out of total AED 43,723 thousand, amount of AED 41,526 thousand pertains to the translation impact from Egyptian Subsidiaries.

Furthermore, this currency devaluation has adversely affected the calculation of revenue, expenses, and profitability of the reporting entities in terms of AED as reflected in consolidated statement of profit or loss and other comprehensive income.

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### 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

	<i>2024</i> <i>AED'000</i>	<i>2023</i> <i>AED'000</i>
Non-controlling interest share	48.85%	48.85%
Current assets	82,446	138,837
Non-current assets	83,296	83,589
Current liabilities	(112,309)	(130,847)
<b>Carrying amount of non-controlling interest (A)</b>	<b>26,102</b>	<b>44,736</b>
	<i>2024</i> <i>AED'000</i>	<i>2023</i> <i>AED'000</i>
Profit	21,132	40,772
Total comprehensive (loss)/income	(17,089)	21,569
<b>Profit allocated to non-controlling interest</b>	<b>(8,348)</b>	<b>10,536</b>
Cash flows generated from operating activities	44,387	76,531
Cash flows used in investing activities	(49,609)	(36,265)
	(5,222)	40,266
<b>Other subsidiaries</b>	<i>2024</i> <i>AED'000</i>	<i>2023</i> <i>AED'000</i>
<b>Carrying amount of non-controlling interest (B)</b>	<b>24,230</b>	<b>24,499</b>
<b>Total Carrying amount of non-controlling interest (A+B)</b>	<b>50,332</b>	<b>69,235</b>

During the year ended December 31, 2024, Salama Takaful Insurance (formerly Egyptian Saudi Insurance House) declared dividend for AED 21.669 million out of 48.85% paid to NCI for AED 10.586 million and Salama Algeria has paid dividends for AED 22.934 million out of 3.02% paid to NCI according to their holding percentage for AED 0.692 million. These dividends have been approved by their respective board of directors of the subsidiaries.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 25. INCOME FROM INVESTMENTS

	2024 AED'000	2023 AED'000
<i>Policyholders' income</i>		
Unrealised gain on unit-linked portfolio	106,409	199,374
Income from bank deposits	80	169
	<u>106,489</u>	<u>199,543</u>
<i>Shareholders' income</i>		
Unrealised (loss)/gain on investment at FVTPL	(19)	84
Realised gain on investment at FVTPL	-	36,594
Fair value gain on investment properties (note 7)	4,502	3,599
Realized gain on investment properties	2,016	-
Income on deposits and wakala certificates	43,275	36,680
Share of profit from associate (note 9)	2,135	1,805
Others	786	772
	<u>52,695</u>	<u>79,534</u>
	<u><u>159,184</u></u>	<u><u>279,077</u></u>

### 26. TAKAFUL REVENUE

31 December 2024

	Life AED'000	General AED'000	Total AED'000
<b>Amounts related to changes in LRC</b>			
Expected incurred claims & other expenses	62,107	-	62,107
Change in risk adjustment	17,736	-	17,736
CSM recognized	54,126	-	54,126
Recovery of acquisition cash flows	3,827	-	3,827
	<u>137,796</u>	<u>-</u>	<u>137,796</u>
<b>Contracts not measured under PAA</b>	<u>137,796</u>	<u>-</u>	<u>137,796</u>
<b>Contracts measured under PAA</b>	<u>87,928</u>	<u>820,654</u>	<u>908,582</u>
<b>Total insurance revenue</b>	<u><u>225,724</u></u>	<u><u>820,654</u></u>	<u><u>1,046,378</u></u>

31 December 2023

	Life AED'000	General AED'000	Total AED'000
<b>Amounts related to changes in LRC</b>			
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
	<u>152,523</u>	<u>-</u>	<u>152,523</u>
<b>Contracts not measured under PAA</b>	<u>152,523</u>	<u>-</u>	<u>152,523</u>
<b>Contracts measured under PAA</b>	<u>104,893</u>	<u>853,589</u>	<u>958,482</u>
<b>Total insurance revenue</b>	<u><u>257,416</u></u>	<u><u>853,589</u></u>	<u><u>1,111,005</u></u>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

### 27. TAKAFUL SERVICE EXPENSES

31 December 2024

	<i>Life</i> <i>AED'000</i>	<i>General</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Incurred claims and other directly attributable expenses	75,958	697,800	773,758
Amortisation of Takaful Acquisition Cash Flows	29,948	169,643	199,590
Changes related to past service	3,930	(14,394)	(10,464)
Losses on onerous contracts and reversals of those losses	14,865	1,973	16,839
<b>Total</b>	<b>124,701</b>	<b>855,022</b>	<b>979,723</b>

31 December 2023

	<i>Life</i> <i>AED'000</i>	<i>General</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Incurred claims and other directly attributable expenses	94,902	711,767	806,669
Amortisation of Takaful Acquisition Cash Flows	7,947	(9,815)	(1,868)
Changes related to past service	4,942	1,901	6,843
Losses on onerous contracts and reversals of those losses	48,037	149,315	197,352
<b>Total</b>	<b>155,828</b>	<b>853,168</b>	<b>1,008,996</b>

### 28. NET INSURANCE FINANCE RESULTS

31 December 2024

	<i>Gross</i> <i>AED'000</i>	<i>Retakaful</i> <i>AED'000</i>
Interest accreted to insurance contracts using current financial assumptions	(19,943)	5,887
Due to changes in interest rates & other financial assumptions	13,542	(5,193)
Fair value movement of Unit link product	(109,303)	-
Difference in increase in liability for incurred claims RA	(2,187)	623
	<b>(117,891)</b>	<b>1,317</b>

31 December 2023

	<i>Gross</i> <i>AED'000</i>	<i>Retakaful</i> <i>AED'000</i>
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
	<b>(228,486)</b>	<b>6,729</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

### 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:

	2024 AED'000	2023 AED'000
Current income tax expense	8,015	15,360
Deferred taxes	4,013	(63)
	<u>12,028</u>	<u>15,297</u>

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

	2024 AED'000	2023 AED'000
<b>Current Tax payable</b>		
As at 1 January	16,038	6,146
Provisions during the year	8,015	15,360
Less: payments	-	(5,100)
Exchange differences	(1,827)	(368)
<b>Balance as at the end of the year</b>	<u>22,226</u>	<u>16,038</u>

	2024 AED'000	2023 AED'000
<b>Deferred Tax Assets</b>		
As at 1 January	5,200	4,980
Provisions during the year	-	100
Exchange differences	(34)	42
<b>Balance as at the end of the year</b>	<u>5,166</u>	<u>5,122</u>

	2024 AED'000	2023 AED'000
<b>Deferred Tax Liabilities</b>		
As at 1 January	121	102
Provisions during the year	4,013	37
Exchange differences	(43)	(18)
<b>Balance as at the end of the year</b>	<u>4,091</u>	<u>121</u>

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

	2024	2023
Profit/(Loss) for the year attributable to shareholders (AED'000)	<u>13,091</u>	<u>(158,389)</u>
Weighted average of shares (in thousands)	<u>922,759</u>	<u>982,421</u>
Basic and diluted earnings/(loss) per share (AED)	<u>0.014</u>	<u>(0.161)</u>

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

### 31. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

	<b>2024</b> <b>AED'000</b>	<b>2023</b> <b>AED'000</b>
Letter of Guarantees in favor of CBUAE	<b>210,000</b>	210,000
Other letter of guarantees	<b>8,713</b>	8,527
	<b>218,713</b>	218,527

Statutory Deposits (note 10) of AED 298,841 thousand (2023: AED 283,526 thousand) includes deposits amounting to AED 70,000 thousand (2023: 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").

Other letter of guarantee was issued during normal course of business against which term deposits of AED 8,712 thousand (2023: AED 8,718 thousand) (note 17) which are held as lien by the bank.

#### *Ongoing legal case*

Group's total assets includes Investment property with a carrying amount of AED 84,957 thousand (2023: AED 84,957 thousand) (note 7), Investment at fair value through other comprehensive income of AED 58,244 thousand (2023: AED 58,244 thousand) and investments held at amortised cost of AED 111,627 thousand (2023: AED 111,627 thousand) (note 11); and Other receivables with a carrying amount of AED 33,639 thousand (2023: 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. The Group has fully provided an impairment for these assets (note 44).

There are no significant capital commitments at 31 December 2024 (2023: nil).

### 32. OPERATING LEASE COMMITMENTS

#### *Group as a lessee*

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

	<b>2024</b> <b>AED'000</b>	<b>2023</b> <b>AED'000</b>
<i>Future minimum lease payments:</i>		
Due within one year	<b>2,189</b>	2,507

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 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.

	<i>FVTPL</i> <i>AED'000</i>	<i>FVOCI</i> <i>AED'000</i>	<i>Amortised cost</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
<b>Financial assets</b>				
Investments	723	21,947	200,072	222,742
Statutory deposits	-	-	298,841	298,841
Unit Linked investments	1,919,837	-	-	1,919,837
Deposits with takaful and retakaful companies	-	-	748	748
Other assets and receivables	-	-	16,897	16,897
Bank balances and cash	-	-	150,342	150,342
	<u>1,920,560</u>	<u>21,947</u>	<u>666,900</u>	<u>2,609,407</u>
<b>Financial liabilities</b>				
Other payables and accruals	-	-	73,485	73,485
Lease liabilities	-	-	6,203	6,203
	<u>-</u>	<u>-</u>	<u>79,688</u>	<u>79,688</u>
<i>31 December 2023</i>				
	<i>FVTPL</i> <i>AED'000</i>	<i>FVOCI</i> <i>AED'000</i>	<i>Amortised cost</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
<b>Financial assets</b>				
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
	<u>323</u>	<u>84,460</u>	<u>801,765</u>	<u>886,548</u>
<b>Financial liabilities</b>				
Other payables and accruals	-	-	79,238	79,238
Lease liabilities	-	-	4,695	4,695
	<u>-</u>	<u>-</u>	<u>83,933</u>	<u>83,933</u>

### 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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

### 34. FAIR VALUE OF FINANCIAL INSTRUMENT (continued)

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.

#### *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 2024*

	<i>Level 1 AED'000</i>	<i>Level 2 AED'000</i>	<i>Level 3 AED'000</i>	<i>Total AED'000</i>
<b><i>Financial assets</i></b>				
<b><i>Financial asset at fair value through profit or loss</i></b>				
Shares and securities	723	-	-	723
Unit Linked investments	-	1,919,837	-	1,919,837
	<u>723</u>	<u>1,919,837</u>	<u>-</u>	<u>1,920,560</u>
<b><i>Financial asset at fair value through OCI</i></b>				
Mutual fund	-	-	80,299	80,299
Shares and securities	-	959	-	959
Less: provision for credit losses	-	-	(59,311)	(59,311)
	<u>-</u>	<u>959</u>	<u>20,988</u>	<u>21,947</u>
<b><i>Non-financial assets</i></b>				
Investment properties	-	-	48,840	48,840
	<u>-</u>	<u>-</u>	<u>48,840</u>	<u>48,840</u>



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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 34. FAIR VALUE OF FINANCIAL INSTRUMENT (continued)

As at 31 December 2023

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Financial assets				
<i>Financial asset at fair value through profit or loss</i>				
Shares and securities	323	-	-	323
Unit Linked investments	-	2,020,883	-	2,020,883
	<u>323</u>	<u>2,020,883</u>	<u>-</u>	<u>2,021,206</u>
<i>Financial asset at fair value through OCI</i>				
Mutual fund	-	-	85,513	85,513
Shares and securities	-	967	-	967
Less: provision for credit losses	-	-	(59,311)	(59,311)
	<u>-</u>	<u>967</u>	<u>26,202</u>	<u>27,169</u>
<i>Non-financial assets</i>				
Investment properties	-	-	60,419	60,419
	<u>-</u>	<u>-</u>	<u>60,419</u>	<u>60,419</u>

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:

	2024 AED'000	2023 AED'000
<b>Movement in investment properties</b>		(Restated)
Balance at 1 January	60,419	58,819
Addition	21	-
Unrealized gain on investment properties (note 25)	4,502	3,599
Disposal / Transfer	(11,006)	
Currency translation differences	(5,096)	(1,999)
	<u>48,840</u>	<u>60,419</u>

### 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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

### 35. RISK MANAGEMENT (continued)

#### a) Introduction and overview (continued)

##### *Capital management framework*

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

##### *Regulatory framework*

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

##### *Asset liability management (ALM) framework*

Financial risks arise from open positions in profit rate, currency and equity products, all of which are exposed to general and specific market movements. The main risk that the Group faces due to the nature of its investments and liabilities is the equity price risk. The Group manages these positions within an ALM framework that has been developed to achieve long-term investment returns in excess of its obligations under takaful and investment contracts. The Group's ALM framework is also integrated with the management of the financial risks associated with the Group's other financial assets and liabilities not directly associated with takaful and investment liabilities.

The Group's ALM framework also forms an integral part of the takaful risk management policy, to ensure in each period sufficient cash flow is available to meet liabilities arising from takaful and investment contracts. The Group is exposed to a range of financial risks through its financial assets, financial liabilities, retakaful assets and takaful liabilities. In particular, the key financial risk is that in the long-term its investment proceeds are not sufficient to fund the obligations arising from its insurance and investment contracts. The most important components of risk management includes takaful risk and financial risk.

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 committee 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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

### 35. RISK MANAGEMENT (continued)

#### b) Takaful risk (continued)

##### *Frequency and severity of claims*

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

##### *Property*

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

##### *Engineering*

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

##### *Motor*

For motor takaful contracts, the main elements of risks are claims arising out of death and bodily injury and damage to third party properties as well as that of insured vehicles. The potential court awards for death and bodily injury and the extent of damage to properties are the key factors that influence the level of claims.

##### *Miscellaneous accident*

For miscellaneous accident classes of takaful such as loss of money, infidelity of employees, personal accident, workmen's compensation, travel, general third party liability and professional indemnity are underwritten. The extent of loss or damage and the potential court awards for liability classes are the main factors that influence the level of claims.

##### *Marine*

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

##### *Family takaful contracts*

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

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

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

##### *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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

### 35. RISK MANAGEMENT (continued)

#### b) Takaful risk (continued)

##### *Retakaful risk (continued)*

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

##### *Concentration of takaful risk*

The Group has certain single takaful contracts which it considers as risks of high severity but very low frequency. The Group cedes substantial part of these risks and its net retention on any one single event is limited to AED 1 million (2023: 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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

### 35. RISK MANAGEMENT (continued)

#### c) Financial risks (continued)

##### i) Credit risk (continued)

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

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

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

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

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the end of the year is disclosed.

31 December 2024

	<i>Credit ratings</i>			
	<i>A+ to A-</i> <i>AED '000</i>	<i>BBB+ to</i> <i>BBB-</i> <i>AED '000</i>	<i>Below</i> <i>BBB- or</i> <i>not rated</i> <i>AED '000</i>	<i>Total</i> <i>AED '000</i>
<b>Assets</b>				
Investments held at amortised cost	59,898	24,339	290,899	375,136
Investments carried at FVTPL	-	-	723	723
Fair value through other comprehensive income	17,816	-	63,442	81,258
Statutory deposits	70,000	15,298	213,543	298,841
Other receivables and prepayments	16,879	-	52,143	69,022
Deposits with takaful and retakaful companies	748	-	-	748
Cash and cash equivalents	70,221	2,189	77,932	150,342
Less: Allowance for expected credit losses	(1,364)	(771)	(286,036)	(288,171)
	<b>234,198</b>	<b>41,055</b>	<b>412,646</b>	<b>687,899</b>

31 December 2023

	<i>Credit ratings</i>			
	<i>A+ to A-</i> <i>AED '000</i>	<i>BBB+ to</i> <i>BBB-</i> <i>AED '000</i>	<i>Below</i> <i>BBB- or</i> <i>not rated</i> <i>AED '000</i>	<i>Total</i> <i>AED '000</i>
<b>Assets</b>				
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
Other receivables and prepayments	16,879	-	48,864	65,743
Deposits with takaful and retakaful companies	974	-	-	974
Cash and cash equivalents	58,431	49,333	38,038	145,802
Less: Allowance for expected credit losses	(1,193)	(776)	(111,272)	(113,241)
	<b>208,948</b>	<b>75,262</b>	<b>538,501</b>	<b>822,711</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

### 35. RISK MANAGEMENT (continued)

#### c) Financial risks (continued)

##### i) Credit risk (continued)

The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position.

	<i>31 December 2024 AED'000</i>	<i>31 December 2023 AED'000 (Restated)</i>
Statutory deposits	298,841	283,526
Investments held at amortised cost	200,072	309,062
Investments carried at FVOCI	21,947	26,216
Investments carried at FVTPL	723	323
Participants' investments in unit-linked contracts	1,919,837	2,020,883
Deposits with takaful and retakaful companies	748	974
Takaful contract assets	-	6,801
Retakaful contract assets	470,860	348,462
Other receivables and receivables	16,879	62,179
Bank balances	148,689	144,149
	<u>3,078,596</u>	<u>3,202,575</u>

For more detail on the maximum exposure to credit risk for each class of financial instrument, references have been added 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 2024

	<i>Neither past due nor impaired</i>			
	<i>Investment grade AED'000</i>	<i>Non-investment grade AED'000</i>	<i>Past due or impaired AED'000</i>	<i>Total AED'000</i>
Investments held at amortised cost	84,237	290,899	-	375,136
Participants' investments in unit-linked contracts	1,919,837	-	-	1,919,837
Investments carried at FVTPL	-	723	-	723
Investments through other comprehensive income	17,816	63,442	-	81,258
Retakaful contract assets	470,860	-	-	470,860
Other receivables and prepayments	16,879	52,143	-	69,022
Deposits with takaful and retakaful companies	748	-	-	748
Takaful contract assets	-	-	-	-
Statutory deposits	85,298	213,543	-	298,841
Bank balances	72,410	77,932	-	150,342
	<u>2,670,948</u>	<u>698,682</u>	<u>-</u>	<u>3,369,630</u>
Less: Allowance for expected credit losses	(2,135)	(286,036)	-	(288,171)
	<u>2,668,813</u>	<u>412,646</u>	<u>-</u>	<u>3,081,459</u>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

### 35. RISK MANAGEMENT (continued)

#### c) Financial risks (continued)

##### i) Credit risk (continued)

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
Investments through other comprehensive income	20,679	65,801	-	86,480
Takaful contract assets	6,801	-	-	6,801
Retakaful contract assets	348,462	-	-	348,462
Other receivables and prepayments	62,179	48,864	-	111,043
Deposits with takaful and retakaful companies	974	-	-	974
Statutory deposits	70,144	213,382	-	283,526
Bank balances	107,764	38,038	-	145,802
	2,724,504	649,773	-	3,374,277
Less: Allowance for expected credit losses	(1,969)	(280,318)	-	(282,287)
	2,722,535	369,455	-	3,091,990

##### 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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

### 35. RISK MANAGEMENT (continued)

#### c) Financial risks (countinued)

##### ii) Liquidity risk

*Maturity profiles (continued)*

*At 31 December 2024*

	<i>Less than one year AED'000</i>	<i>More than one year AED'000</i>	<i>Total AED'000</i>
<b>Assets</b>			
Held at amortised cost	284,944	90,192	375,136
Investments held at fair value through OCI	60,223	21,035	81,258
Investments carried at FVTPL	723	-	723
Other receivables and prepayments	69,022	-	69,022
Deposits with takaful and retakaful companies	748	-	748
Statutory deposits	168,663	130,178	298,841
Cash and bank balances	150,426	-	150,426
Less: Provision for expected credit losses	(222,014)	(66,157)	(288,171)
<b>Total assets</b>	<b>512,735</b>	<b>175,248</b>	<b>687,983</b>
<b>Liabilities</b>			
Lease liabilities	2,293	4,857	7,150
<b>Total liabilities</b>	<b>2,293</b>	<b>4,857</b>	<b>7,150</b>

*31 December 2023*

	<i>Less than one year AED'000</i>	<i>More than one year AED'000</i>	<i>Total AED'000</i>
<b>Assets</b>			
Held at amortised cost	180,035	189,948	369,983
Investments held at fair value through OCI	86,480	-	86,480
Investments carried at FVTPL	323	-	323
Other receivables and prepayments	111,043	-	111,043
Deposits with takaful and retakaful companies	974	-	974
Statutory deposits	160,019	123,507	283,526
Cash and bank balances	145,802	-	145,802
Less: Provision for expected credit losses	(225,096)	(57,191)	(282,287)
<b>Total assets</b>	<b>459,580</b>	<b>256,264</b>	<b>715,844</b>
<b>Liabilities</b>			
Lease liabilities	2,507	2,188	4,695
<b>Total liabilities</b>	<b>2,507</b>	<b>2,188</b>	<b>4,695</b>

##### 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.



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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

### 35. RISK MANAGEMENT (continued)

#### c) Financial risks (countinued)

##### iii) Market risk (continued)

##### 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 thousands of Dirham are as under:

<i>31 December 2024</i>	<i>Financial assets AED'000</i>	<i>Financial liabilities AED'000</i>	<i>Net AED'000</i>
Currency			
USD	673,899	(189,199)	484,700
EGP	154,377	(101,863)	52,514
CFA	12,980	(4,193)	8,787
DZD	341,415	(133,289)	208,126
Others	66,046	(11)	66,035
<i>31 December 2023</i>	<i>Financial assets AED'000</i>	<i>Financial liabilities AED'000</i>	<i>Net AED'000</i>
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)	64,114

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.

<i>31 December 2024</i>	<i>Change in exchange rates</i>	<i>Profit or loss AED'000</i>	<i>Other comprehensive Income AED'000</i>
Financial assets	+5%	-	+62,436
	-5%	-	-62,436
Financial liabilities	+5%	-	+21,427
	-5%	-	-21,427
<i>31 December 2023</i>	<i>Change in exchange rates</i>	<i>Profit or loss AED'000</i>	<i>Other Comprehensive Income AED'000</i>
Financial assets	+5%	-	+56,976
	-5%	-	-56,976
Financial liabilities	+5%	-	+22,045
	-5%	-	-22,045

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

### 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.

<i><b>Takaful claims-gross</b></i>						
<i><b>Underwriting year</b></i>	<i><b>2020</b></i>	<i><b>2021</b></i>	<i><b>2022</b></i>	<i><b>2023</b></i>	<i><b>2024</b></i>	<i><b>Total</b></i>
<i><b>(cumulative amounts)</b></i>	<i><b>AED'000</b></i>	<i><b>AED'000</b></i>	<i><b>AED'000</b></i>	<i><b>AED'000</b></i>	<i><b>AED'000</b></i>	<i><b>AED'000</b></i>
Development year 1	232,193	211,986	230,016	595,312	531,154	531,154
Development year 2	417,386	382,027	612,499	522,552		522,552
Development year 3	468,915	515,580	647,872	-		647,872
Development year 4	578,098	844,897	-	-		844,897
Development year 5	482,475	-	-	-		482,475
Current estimate of cumulative claims (A)	482,475	844,897	647,872	522,552	531,154	3,028,950
Cumulative payments to date (B)	(272,854)	(681,839)	(602,845)	(498,364)	(520,260)	(2,575,862)
	<u>209,621</u>	<u>163,058</u>	<u>45,027</u>	<u>24,188</u>	<u>10,894</u>	<u>453,088</u>
Provision for prior years						<u>34,343</u>
<b>Total reserve included in the consolidated statement of financial position as part of the gross claim (excluding family takaful reserve)</b>						<b>487,431</b>
<b>Effect of discounting</b>						<b>(21,161)</b>
<b>Effect of risk adjustment for non-financial risk</b>						<b>24,172</b>
<b>Others*</b>						<b>128,788</b>
<b>Total Gross Liability for Incurred Claims</b>						<b>619,230</b>

\* Others includes Insurance claims and other related payables

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

### 35. RISK MANAGEMENT (continued)

#### 35.1 Claims development process (continued)

<i>Takaful claims-net</i> <i>Underwriting year</i> <i>(cumulative amounts)</i>	<i>2020</i> <i>AED'000</i>	<i>2021</i> <i>AED'000</i>	<i>2022</i> <i>AED'000</i>	<i>2023</i> <i>AED'000</i>	<i>2024</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Development year 1	92,333	86,769	93,826	327,629	249,037	249,037
Development year 2	170,653	161,111	298,267	250,257		250,257
Development year 3	185,497	249,567	312,110	-		312,110
Development year 4	260,987	411,495	-	-		411,495
Development year 5	222,007	-	-	-		222,007
Current estimate of cumulative claims (A)	222,007	411,495	312,110	250,257	249,037	1,444,906
Cumulative payments to date (B)	(152,435)	(366,118)	(296,385)	(242,923)	(245,210)	(1,303,956)
	<u>69,572</u>	<u>45,377</u>	<u>15,725</u>	<u>7,334</u>	<u>2,942</u>	<u>141,835</u>
Provision for prior years						4,914
<b>Total reserve included in the consolidated statement of financial position as part of the gross claim (excluding family takaful reserve)</b>						<b>146,749</b>
<b>Effect of discounting</b>						<b>(2,419)</b>
<b>Effect of risk adjustment for non-financial risk</b>						<b>4,181</b>
<b>Others*</b>						<b>31,632</b>
<b>Total Gross Liability for Incurred Claims</b>						<b>180,143</b>

\* Others includes Insurance claims and other related payables

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

### 35. RISK MANAGEMENT (continued)

#### 35.2 Sensitivity analysis

##### *Sensitivity analysis for contracts measured under PAA*

	31 December 2024		31 December 2023	
	<i>LIC</i>	<i>Impact on LIC</i>	<i>LIC</i>	<i>Impact on LIC</i>
Takaful Contract Liabilities	497,596	-	442,474	-
Takaful Contract Assets	(378,438)	-	(265,453)	-
	<b>119,158</b>	<b>-</b>	<b>177,021</b>	<b>-</b>
<b>5% increase LIC</b>				
Takaful Contract Liabilities	522,476	(24,880)	464,598	(22,124)
Takaful Contract Assets	(397,361)	18,921	(278,725)	13,273
	<b>125,115</b>	<b>(5,959)</b>	<b>185,872</b>	<b>(8,851)</b>
<b>5% decrease LIC</b>				
Takaful Contract Liabilities	472,716	24,880	420,350	22,124
Takaful Contract Assets	(359,517)	(18,922)	(252,180)	(13,273)
	<b>113,199</b>	<b>5,958</b>	<b>168,170</b>	<b>8,851</b>

##### *Sensitivity analysis for contracts not measured under PAA*

	31 December 2024		31 December 2023	
	<i>LIC</i>	<i>Impact on LIC</i>	<i>LIC</i>	<i>Impact on LIC</i>
Takaful Contract Liabilities	121,634	-	118,436	-
Retakaful Contract Assets	(60,647)	-	(68,505)	-
	<b>60,987</b>	<b>-</b>	<b>49,931</b>	<b>-</b>
<b>5% increase LIC</b>				
Takaful Contract Liabilities	127,716	(6,082)	124,358	(5,922)
Retakaful Contract Assets	(63,680)	3,032	(71,930)	3,425
	<b>64,036</b>	<b>(3,050)</b>	<b>52,427</b>	<b>(2,497)</b>
<b>5% decrease LIC</b>				
Takaful Contract Liabilities	115,553	6,082	112,514	5,922
Retakaful Contract Assets	(57,615)	(3,032)	(65,080)	(3,425)
	<b>57,938</b>	<b>3,050</b>	<b>47,434</b>	<b>2,497</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

### 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 liabilities classified based on business segment is noted below.

	<i>31 December 2024</i>			<i>31 December 2023</i>		
	<i>Non-Life AED '000</i>	<i>Life AED '000</i>	<i>Total AED '000</i>	<i>Non-Life AED '000</i>	<i>Life AED '000</i>	<i>Total AED '000</i>
Insurance contract liabilities – net	<b>(590,712)</b>	<b>(2,004,704)</b>	<b>(2,595,416)</b>	(261,640)	(2,040,878)	(2,302,519)
Reinsurance contract assets – net	<b>406,591</b>	<b>(57,275)</b>	<b>349,316</b>	181,124	(78,399)	102,725

### 36. PROVISION FOR EXPECTED CREDIT LOSSES

	<i>Notes</i>	<i>ECL recorded on 1 Jan 2024 AED'000</i>	<i>Provision/reversal recorded during the year AED'000</i>	<i>Closing Balance AED'000</i>
<b><i>ECL on Financial Assets</i></b>				
Investments - Financial instruments at FVOCI	11	<b>59,311</b>	-	<b>59,311</b>
Investments at Amortized Cost	11	<b>172,459</b>	<b>2,605</b>	<b>175,064</b>
Retakafuls' share of outstanding claims	18	<b>252</b>	<b>296</b>	<b>548</b>
Contributions and takaful balance receivables	18	<b>4,171</b>	-	<b>4,171</b>
Other assets and receivables	16	<b>48,864</b>	<b>3,279</b>	<b>52,143</b>
Bank balances and cash	17	<b>1,653</b>	-	<b>1,653</b>
<b>Total</b>		<b>286,710</b>	<b>6,180</b>	<b>292,890</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

### 37. OTHER OPERATING EXPENSES

	<i>31 December 2024 AED'000</i>	<i>31 December 2023 AED'000</i>
Staff costs	28,222	23,638
Depreciation	2,136	1,418
Rent	1,021	1,057
Movement in family takaful reserves	(5,313)	22,389
Software Licenses	2,386	4,125
Professional Services Fee	2,569	3,536
Others	21,049	49,129
	<b>52,070</b>	<b>105,292</b>

### 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.

	<i>2024 AED'000</i>	<i>2023 AED'000</i>
Minimum regulatory capital	<b>100,000</b>	100,000
Total shareholders' equity	<b>284,048</b>	299,508

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 51 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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

### 38. CAPITAL RISK MANAGEMENT (continued)

The Group is subject to solvency regulations which require Solvency Margin to be maintained at all times throughout the year. The Group is in non-compliance with the solvency regulations during the year and continuously assesses and monitors the solvency requirements and position by incorporating necessary policies and procedures.

The table below summarises the consolidated Minimum Capital Requirement ("MCR"), Minimum Guarantee Fund ("MGF") and Solvency Capital Requirement ("SCR") 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 Central Bank of UAE. The Group has disclosed the solvency position as of 31 December 2024 as following:

	<b>31 December 2024 AED'000</b>	<b>31 December 2023 AED'000</b>
Minimum Capital Requirement (MCR)	<b>100,000</b>	100,000
Solvency Capital Requirement (SCR)	<b>169,463</b>	277,592
Minimum Guarantee Fund (MGF)	<b>154,740</b>	156,485
Basic Own Funds	<b>(18,398)</b>	111,248
Ancillary Own Funds	<b>140,000</b>	140,000
MCR Solvency Margin - surplus/(deficit)	<b>-</b>	11,248
SCR Solvency Margin - surplus/(deficit)	<b>(58,662)</b>	(96,344)
MGF Solvency Margin - surplus/(deficit)	<b>(43,938)</b>	24,763
Subordinated Liabilities (limited)	<b>118,398</b>	-

### 39. FEES AND PENALTIES

During the year ended 31 December 2024, Group has paid fees and penalties amounting to AED 24 thousand (2023: AED 33 thousand).

### 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 1,377 thousand for the year ended 31 December 2023 (31 December 2022: AED 2,377 thousand). No dividend was approved for the year ended 31 December 2023.

### 41. AUDIT REMUNERATION

Auditors' remuneration for the statutory audit of the Group's consolidated financial statements for the year ended 31 December 2024 amounts to AED 850 thousand (2023: AED 600 thousand). Auditors' remuneration for the review of the Group's interim condensed consolidated financial statements during the year ended 31 December 2024 amounts to AED 350 thousand (2023: AED 285 thousand). Fee for other statutory and other audit related services provided by the auditors to the Group amounts to AED thousand 255 thousand (2023: AED 839 thousand).

### 42. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors and authorized for issue on 26 March 2025.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

### 43. GROSS INSURANCE PREMIUM

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

2024

<i>Description</i>	<i>Life Insurance (Without Medical &amp; Fund Accumulation) AED'000 (A)</i>	<i>Fund Accumulation AED'000 (B)</i>	<i>Medical Insurance AED'000 (C)</i>	<i>Property &amp; Liability (Without Medical) AED'000 (D)</i>	<i>All Types of Business Combined AED'000 (E)=(A)+(B)+(C)+(D)</i>
Direct Written Premiums	542,708	-	378,351	167,835	1,088,894
Assumed Business	-	-	-	-	-
Foreign	-	-	-	-	-
Local	-	-	-	3,500	3,500
Total Assumed Business	-	-	-	3,500	3,500
Gross Written Premiums	542,708	-	378,351	171,335	1,092,394

2023

<i>Description</i>	<i>Life Insurance (Without Medical &amp; Fund Accumulation) AED'000 (A)</i>	<i>Fund Accumulation AED'000 (B)</i>	<i>Medical Insurance AED'000 (C)</i>	<i>Property &amp; Liability (Without Medical) AED'000 (D)</i>	<i>All Types of Business Combined AED'000 (E)=(A)+(B)+(C)+(D)</i>
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

### 44. PRIOR PERIOD ADJUSTMENT

During the current period, the Company identified an error relating to prior year and, accordingly, an adjustment was made with a retrospective effect in accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors by fully providing for an impairment of assets under ongoing litigations. This adjustment was necessary as the Company has recognized that the legal opinion provided in 2022 regarding these assets was not accurate resulting to incorrect measurement of the assets. Upon further review, and in alignment with applicable accounting standards, the Company has determined that recognizing the impairment is essential to ensure the accuracy and reliability of financial reporting. This restatement enhances transparency and ensures consolidated financial statements present a true and fair view of asset position of the Group.

The error has been corrected by restating each of the affected financial statement line items for the prior periods, as follows:



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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

### 44. PRIOR PERIOD ADJUSTMENT (continued)

<i>31 December 2023</i>			
	<i>As previously reported AED</i>	<i>Restatement AED</i>	<i>Restated balance AED</i>
<b>Statement of financial position</b>			
<b>Assets</b>			
Investment properties	145,376	(84,957)	60,419
Investments	394,062	(169,871)	224,191
Other assets and receivables	114,033	(33,639)	80,394
<b>Equity</b>			
Accumulated losses	(163,924)	(288,467)	(452,391)
<i>1 January 2023</i>			
	<i>As previously reported AED</i>	<i>Restatement AED</i>	<i>Restated balance AED</i>
<b>Statement of financial position</b>			
<b>Assets</b>			
Investment properties	143,776	(84,957)	58,819
Investments	492,961	(169,871)	323,090
Other assets and receivables	106,343	(33,639)	72,704
<b>Equity</b>			
Accumulated losses	(371,913)	(288,467)	(660,380)

The prior period adjustment did not have an impact on the consolidated statements' of profit or loss, comprehensive income or the Group's operating, investing and financing cash flows.