

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

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

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021

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

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

Introduction

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

Scope of Review

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

Basis for Qualified Conclusion

The Group’s total assets include the following assets:

- Investment property with a carrying amount of AED 84,957 thousand (note 6);
- Islamic placement investments of AED 45,889 thousand, available-for-sale investments of AED 58,244 thousand and held to maturity investments of AED 65,738 thousand (note 8);
- Other receivables with a carrying amount of AED 33,639 thousand (note 19); and
- Restricted bank balances with a carrying amount of AED 140,045 thousand (note 18).

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

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



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

Qualified Conclusion

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

Other Matters

The interim consolidated condensed financial statements of the Group as of 30 June 2020 were reviewed by another auditor whose report dated 10 August 2020 expressed a qualified conclusion on those interim consolidated condensed financial statements with regard to the matter described above. Also, the consolidated financial statements as of 31 December 2020 were audited by another auditor whose report dated 11 March 2021 expressed a qualified opinion on those consolidated financial statements with regard to the same matter.

For Ernst & Young

A handwritten signature in blue ink, appearing to read 'Ashraf Abu-Sharkh', with a long horizontal flourish extending to the right.

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

14 August 2021

Dubai, United Arab Emirates

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2021 (unaudited)

		30 June 2021 (unaudited) AED'000	31 December 2020 (audited) AED'000
	<i>Notes</i>		
ASSETS			
Property and equipment		38,327	39,548
Goodwill and intangibles		115,137	115,237
Investment properties	6	138,996	139,534
Right of use assets		6,205	8,034
Investment in associates	7	34,580	32,932
Deposits		222,420	202,828
Investments	8	687,577	676,596
Participants' investments in unit-linked contracts	8.1	2,334,958	2,228,346
Deposits with takaful and retakaful companies		2,392	2,406
Contributions and takaful balance receivables		272,397	207,776
Retakafuls' share of outstanding claims		229,822	214,940
Retakafuls' share of unearned contribution		204,914	172,006
Other assets and receivables	19	309,009	375,540
Restricted bank balances	18	140,045	-
Bank balances and cash	18	54,060	91,950
		4,790,839	4,507,673
TOTAL ASSETS			
 Liabilities and policyholders' fund			
Outstanding claims and family takaful reserve		553,319	558,598
Payable to participants for unit-linked contracts		2,333,179	2,224,849
Unearned contribution reserve		430,223	323,040
Short term borrowings	21	62,500	-
Takaful balances payable		226,036	163,830
Other payables and accruals		328,448	319,426
Lease liabilities		6,416	8,264
		3,940,121	3,598,007
Total liabilities			
Policyholders' fund		-	-
		3,940,121	3,598,007
Total liabilities and policyholders' fund			

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

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2021 (unaudited)

		30 June 2021 (unaudited) AED'000	31 December 2020 (audited) AED'000
	<i>Notes</i>		
Equity			
Share capital	11	1,210,000	1,210,000
Treasury shares	12	(35,972)	(35,972)
Statutory reserve	13	97,257	97,257
Accumulated losses		(372,636)	(308,059)
Other reserves	14	(128,043)	(127,892)
Equity attributable to Owners of the Company		770,606	835,334
Non-controlling interest		80,112	74,332
Total equity		850,718	909,666
TOTAL LIABILITIES, POLICYHOLDERS' FUND AND EQUITY		4,790,839	4,507,673



Chairman



Chief Executive Officer

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

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

	<i>Six-month period ended</i>		<i>Three-month period ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Continuing operations				
Underwriting income				
Gross written contributions	655,513	695,112	227,955	254,135
Less: reinsurance and retakaful contributions Ceded	(258,455)	(271,183)	(72,474)	(91,197)
Net contributions	397,058	423,929	155,481	162,938
Net movement in unearned contributions	(74,257)	(72,623)	(6,042)	10,867
Contributions earned	322,801	351,306	149,439	173,805
Commission income on ceded reinsurance and Retakaful	21,485	20,559	9,857	11,550
	344,286	371,865	159,296	185,355
Underwriting expenses				
Gross claims paid	262,536	224,788	127,698	112,767
Less: reinsurance and retakaful share of claims Paid	(141,595)	(124,869)	(69,055)	(68,977)
Net claims paid	120,941	99,919	58,643	43,790
Net movement in outstanding claims and family takaful reserve	(19,413)	17,083	(20,895)	8,354
Claims incurred	101,528	117,002	37,748	52,144
Commission expense and other costs	157,789	170,966	77,651	83,815
	259,317	287,968	115,399	135,959
Net underwriting income	84,969	83,897	43,897	49,396
Income from investments	31,905	17,013	19,648	9,355
Other income	8,626	8,960	4,718	3,503
	125,500	109,870	68,263	62,254
Expenses				
General, administrative and other expenses	(78,745)	(52,578)	(47,452)	(23,794)
Financial expenses	(2,175)	(1,337)	(1,635)	(739)
Net surplus before tax for the period	44,580	55,955	19,176	37,721
Taxation – current	(4,293)	(5,089)	(3,114)	(3,594)
Net surplus after tax for the period before distribution to policyholders	40,287	50,866	16,062	34,127
Distribution to policyholders of Company	-	(2,966)	-	(2,966)
Net surplus after tax and distribution to policyholders for the period	40,287	47,900	16,062	31,161

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

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six month period ended 30 June 2021 (unaudited)

	<i>Six-month period ended 30 June</i>		<i>Three-month period ended 30 June</i>	
	<i>2021 AED'000</i>	<i>2020 AED'000</i>	<i>2021 AED'000</i>	<i>2020 AED'000</i>
Discontinued operations				
Loss from discontinued operations	-	(853)	-	2,751
Net surplus from takaful operations	40,287	47,047	16,062	33,912
Attributable to:				
Shareholders	34,586	39,919	12,366	26,270
Non-controlling interest	5,701	7,128	3,696	7,642
	40,287	47,047	16,062	33,912
Basic and diluted earnings per share (AED) (Note 17)	0.029	0.034	0.010	0.022
Basic and diluted earnings per share (AED) – continuing operations	0.029	0.034	0.010	0.021

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six month period ended 30 June 2021 (unaudited)

	<i>Six-month period ended</i> <i>30 June</i>		<i>Three-month period ended</i> <i>30 June</i>	
	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
Profit after tax and distribution to policyholders for the period	40,287	47,047	16,062	33,912
Other comprehensive (loss)/income net of income tax				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Net movement or change in foreign exchange translation reserve	(2,384)	(13,585)	(95)	(9,695)
Net changes in fair value of available for sale investments	135	379	-	1
Share of other comprehensive Income / (loss) of associates	1,051	(691)	796	(691)
Total other comprehensive (loss)/income for the period	(1,198)	(13,897)	701	(10,385)
Total comprehensive income for the period	39,089	33,150	16,763	23,527
Attributable to:				
Shareholders	33,309	26,780	12,934	17,260
Non-controlling interest	5,780	6,370	3,829	6,267
	39,089	33,150	16,763	23,527

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

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six month period ended 30 June 2021 (unaudited)

	<i>Share capital AED '000</i>	<i>Statutory reserve AED '000</i>	<i>Revaluation reserve AED '000</i>	<i>Foreign exchange translation reserve AED '000</i>	<i>Investment fair value reserve AED '000</i>	<i>Treasury shares AED '000</i>	<i>Accumulated losses AED '000</i>	<i>Total AED '000</i>	<i>Non-controlling interest AED '000</i>	<i>Total equity AED '000</i>
Balance at 1 January 2020	1,210,000	82,320	31,930	(112,043)	(27,627)	(35,972)	(376,824)	771,784	73,471	845,255
Profit for the period	-	-	-	-	-	-	39,919	39,919	7,128	47,047
Other comprehensive loss										
Movement in foreign exchange translation reserve	-	-	-	(12,827)	-	-	-	(12,827)	(758)	(13,585)
Net changes in fair value of available for sale investments	-	-	-	-	379	-	-	379	-	379
Share of other comprehensive loss of associates	-	-	-	-	(691)	-	-	(691)	-	(691)
Total other comprehensive loss	-	-	-	(12,827)	(312)	-	-	(13,139)	(758)	(13,897)
Total comprehensive income for the period	-	-	-	(12,827)	(312)	-	39,919	26,780	6,370	33,150
Dividend paid (note 25)	-	-	-	-	-	-	(36,300)	(36,300)	(2,571)	(38,871)
Balance at 30 June 2020 (unaudited)	1,210,000	82,320	31,930	(124,870)	(27,939)	(35,972)	(373,205)	762,264	77,270	839,534

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

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six month period ended 30 June 2021 (unaudited)

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

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

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six month period ended 30 June 2021 (unaudited)

	Notes	Six month period ended 30 June	
		2021 AED'000	2020 AED'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		40,287	47,047
Adjustments for:			
Depreciation of property and equipment		1,496	1,854
Depreciation on right to use assets		1,838	1,953
Net movement in unearned contributions reserve		74,275	70,117
Unrealized (gain)/loss on investment		(3,957)	2,375
Amortisation of intangible assets		289	167
Share of (profit) / loss from associates		(1,834)	3,710
Reversal bonus provision		(7,500)	
Reversal impairment of receivables		-	5,827
Dividend income		(839)	(1,283)
Operating cash flows before changes in operating assets and liabilities		104,055	131,767
Decrease / (increase) in deposits with takaful and retakaful companies		14	(287)
Increase in contributions and takaful balance receivable		(64,621)	(146,960)
Increase in due from/to related parties		-	336
Decrease in other assets and receivables		66,531	48,507
(Decrease) / increase in outstanding claims (net of retakaful)		(20,161)	4,031
Increase in takaful payables and other payables		78,728	62,866
Increase in assets held-for-sale		-	(5,935)
Increase in liabilities against assets held-for-sale		-	6,785
Net cash generated from operating activities		164,546	101,110
CASH FLOWS FROM INVESTING ACTIVITIES			
Disposal/(purchase) of property and equipment		(275)	2,575
Disposal/(purchase) of intangible assets		(189)	194
Investments properties-net		538	1,973
Repayment of principal and interest on lease liability		(1,848)	(1,906)
Dividend income from an associate		1,237	-
Decrease in term deposits under lien or with maturity after three months		4,762	95,499
Net movement in deposits		(19,592)	(169)
Dividend received		839	1,283
Increase in investments – net		(9,282)	(95,121)
Net movement in participants' investments in unit-linked contracts		1,718	4,787
Net cash (used in) / generated from investing activities		(22,092)	9,115
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(98,037)	(38,871)
Funds received from short term borrowings		62,500	-
Net cash used in financing activities		(35,537)	(38,871)
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of the period		83,821	54,794
Less: Restricted bank balances		(140,045)	-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		50,693	126,148

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six month period ended 30 June 2021 (unaudited)

1. GENERAL INFORMATION

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

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

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

Coronavirus (COVID-19) outbreak and its impact on the Group

With the rapid development of the coronavirus disease (COVID-19) outbreak, the world economy entered a period of unprecedented health care crisis that has already caused considerable global disruption in business activities and everyday life. Many countries have adopted extraordinary and economically costly containment measures.

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

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

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

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

The Group has performed stress testing as required by the Insurance Authority of UAE on a monthly basis approved by the Board of Directors, who are satisfied that the Group will continue to operate as a going concern. In addition, in order to respond to the ongoing litigations and Precautionary Attachment Order of the bank balances amounting to AED 140 million as at 30 June 2021 (with subsequent attachment of AED 65.6 million, and further expected attachment of AED 65.6 million) as described in notes 18 and 20, management and the Board of Directors have considered the way forward and developed plans and actions to ensure the Group’s viability and continuity as a going concern. Management has performed cash flow projections and presented this to the Board of Directors with due considerations on the ongoing day-to-day operations and the aforementioned bank balances attachment and concluded that the Group has enough liquidity position and bank funding supports to ensure that the Group is able to continue as a going concern.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six month period ended 30 June 2021 (unaudited)

1. GENERAL INFORMATION (continued)

Accordingly, these condensed consolidated interim financial information have been prepared on a going concern basis. Management will continue to monitor the situation and, will take necessary and appropriate actions on a timely basis to respond to this unprecedented situation.

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

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

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

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

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

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

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

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

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

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

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

4. CHANGES IN JUDGEMENTS AND ESTIMATION UNCERTAINTY

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

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

Recoverability of contributions and takaful balance receivables

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

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

Fair value measurement of financial instruments

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

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

Fair value measurement of investment properties

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

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4. CHANGES IN JUDGEMENTS AND ESTIMATION UNCERTAINTY (continued)

Fair value measurement of investment properties (continued)

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

Impairment of goodwill

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

Provision for outstanding claims and claims incurred but not reported

The Group has performed an assessment of the impact of COVID-19 on its contractual arrangements, provisions for outstanding claims and claims incurred but not reported which included regular sensitivity analyses. The Group determined that there is no material impact on its risk position and provision balances for outstanding claims and claims incurred but not reported for the period ended 30 June 2021. It will continue monitoring its claims experience and the developments around the pandemic and revisit the assumptions and methodologies in future reporting periods.

5. TAKAFUL AND FINANCIAL RISK MANAGEMENT

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

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

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

6. INVESTMENT PROPERTIES

The geographic dispersion of investment properties is as follows.

	<i>30 June 2021 (unaudited) AED'000</i>	<i>31 December 2020 (audited) AED'000</i>
Within UAE	8,000	8,000
Outside UAE	130,996	131,534
	<u>138,996</u>	<u>139,534</u>

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

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

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

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7. INVESTMENT IN ASSOCIATES

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

	<i>Ownership</i>		<i>Country of incorporation</i>	<i>30 June 2021 (unaudited) AED'000</i>	<i>31 December 2020 (audited) AED'000</i>
	<i>2021</i>	<i>2020</i>			
Associates					
Islamic Insurance Jordan	20%	20%	Jordan	34,580	32,932
				34,580	32,932

Movements during the period/year

	<i>30 June 2021 (unaudited) AED'000</i>	<i>31 December 2020 (audited) AED'000</i>
Balance at 1 January	32,932	96,215
Share of profit from associates	1,834	5,341
Dividend received	(1,237)	(931)
Share of other comprehensive income	1,051	538
Carrying amount of investment on the date of loss of significant influence	-	(68,231)
	34,580	32,932

Up to 19 August 2020, the Group held a 30% interest in Salama Cooperative Insurance Company and accounted for the investment as an associate. During August 2020, the Group disposed of an 18% interest in Salama Cooperative Insurance Company to a third party for proceeds of AED 62.5 million (received in August 2020). The Group has accounted for the remaining 12% interest as a financial asset at FVTPL whose fair value at the date of disposal was AED 40.8 million, which was determined based on the market price.

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8. INVESTMENTS

	30 June 2021 (unaudited)			31 December 2020 (audited)		
	Domestic investment AED'000	Inter-national investment AED'000	Total AED'000	Domestic investment AED'000	Inter-national investment AED'000	Total AED'000
Financial assets at fair value through profit or loss						
Shares and securities	-	100,150	100,150	-	95,612	95,612
Available-for-sale investments						
Mutual fund and externally managed portfolios	-	62,561	62,561	-	62,426	62,426
Shares and securities	-	967	967	-	787	787
	-	63,528	63,528	-	63,213	63,213
Islamic placements*	-	178,524	178,524	-	172,450	172,450
Held to maturity						
Sukuk and						
Government bonds	-	198,721	198,721	-	196,074	196,074
Wakalah certificates	54,094	-	54,094	54,094	-	54,094
Other Mudariba investments	-	92,560	92,560	-	95,153	95,153
	54,094	291,281	345,375	54,094	291,227	345,321
	54,094	633,483	687,577	54,094	622,502	676,596

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

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

8.1 Participants' investments in unit-linked contracts

	30 June 2021 (unaudited) AED'000	31 December 2020 (audited) AED'000
Financial asset at fair value through profit or loss	2,334,958	2,228,346

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8. INVESTMENTS (continued)

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

Determining fair values

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

30 June 2021 (Unaudited)

	<i>Level 1</i> <i>AED'000</i>	<i>Level 2</i> <i>AED'000</i>	<i>Level 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Financial assets				
Fair value through profit or loss				
Participants' investments in unit-linked contracts	-	2,334,958	-	2,334,958
Shares and securities	100,150	-	-	100,150
	100,150	2,334,958	-	2,435,108
Available-for-sale				
Mutual fund	-	62,561	-	62,561
Shares and securities	406	561	-	967
	406	63,122	-	63,528
Non-financial assets				
Investment properties	-	-	138,996	138,996
Financial liabilities				
Payable to participants for unit-linked contracts	-	2,333,179	-	2,333,179

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8. INVESTMENTS (continued)

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

Determining fair values (continued)

31 December 2020 (audited)

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

9. DISCONTINUED OPERATIONS

Salama Assurance Senegal

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

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9. DISCONTINUED OPERATIONS (continued)

Salama Assurance Senegal (continued)

Results from discontinued operations

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

Cash flows from discontinued operations

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

10. RELATED PARTY TRANSACTIONS

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

	<i>Six-month period ended 30 June</i>		<i>Three-month period ended 30 June</i>	
	2021 AED'000	2020 AED'000	2021 AED'000	2020 AED'000
Contribution	1,879	2,027	-	1,274
Claims paid	8,194	7,753	10	1,089
General and administrative expenses	-	63	-	-
Compensation of key management personnel				
Short term benefits	2,885	3,030	1,336	1,423
Employees end of service benefits	280	169	63	88
	3,165	3,199	1,399	1,511
Directors' remuneration				
Directors' remuneration*	14,200	-	14,200	-

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

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10. RELATED PARTY TRANSACTIONS (continued)

Balances with related parties

	<i>30 June 2021 (unaudited) AED'000</i>	<i>31 December 2020 (audited) AED'000</i>
Cash and bank balances	<u>555</u>	<u>555</u>
Investments held-to-maturity Wakalah certificates	<u>54,094</u>	<u>54,094</u>
Participants' investments in unit-linked contracts	<u>356,415</u>	<u>309,417</u>

11. SHARE CAPITAL

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

12. TREASURY SHARES

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

13. STATUTORY RESERVE

In accordance with Article 239 of the U.A.E. Federal Law No. (2) of 2015 and the Articles of Association of the Company, 10% of the net profit is required to be transferred to a non-distributable statutory reserve until this reserve equals 50% of the paid up share capital. This reserve is not available for distribution other than in circumstances stipulated by law.

14. OTHER RESERVES

Other reserves include following:

	<i>30 June 2021 (unaudited) AED'000</i>	<i>31 December 2020 (audited) AED'000</i>
Revaluation reserve	20,753	20,753
Foreign exchange translation reserve	(124,659)	(122,196)
Investment fair value reserve	(25,395)	(26,581)
Regulatory reserve – UAE operations	1,258	132
	<u>(128,043)</u>	<u>(127,892)</u>

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15. WAKALAH SHARE

The shareholders manage the takaful operations of the Group for the policyholders and charge 9.36% (2020: 32.5%) of gross written contributions and participant investment revenues of non family takaful business (excluding subsidiaries) as wakalah share. For family takaful business, sharing ratio is 15% (2020: 15%) of mortality costs.

16. POLICYHOLDERS' FUND

	30 June 2021 (unaudited) AED'000	31 December 2020 (audited) AED'000	30 June 2020 (unaudited) AED'000
Balance at 1 January	(688,010)	(612,051)	(612,051)
Net surplus attributable to policyholders for the period/year	7,296	(72,992)	(82,056)
Surplus distribution to policyholders of family takaful	-	(2,967)	(2,966)
Write-off of Qard Hassan	517,848	-	-
Financed by shareholders	162,866	(688,010)	(697,073)

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

17. BASIC AND DILUTED EARNINGS PER SHARE

	Six-month period ended 30 June		Three-month period ended 30 June	
	2021 AED'000	2020 AED'000	2021 AED'000	2020 AED'000
Profit for the period attributable to shareholders (AED'000)	34,586	39,919	12,366	26,270
Number of shares (in thousands)	1,188,333	1,188,333	1,188,333	1,188,333
Basic and diluted earnings per share (AED)	0.029	0.034	0.010	0.022

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

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18. CASH AND CASH EQUIVALENTS

	<i>30 June 2021 (unaudited) AED'000</i>	<i>31 December 2020 (audited) AED'000</i>	<i>30 June 2020 (unaudited) AED'000</i>
Cash in hand	29	17	18
Cash at bank	179,067	74,233	120,663
Term deposits	15,009	17,700	17,288
	<u>194,105</u>	<u>91,950</u>	<u>137,969</u>
Less: term deposits with maturity after three months	-	(4,331)	(5,940)
Less: term deposits under lien	(3,367)	(3,798)	(5,881)
Less: Restricted bank balances*	(140,045)	-	-
	<u><u>50,693</u></u>	<u><u>83,821</u></u>	<u><u>126,148</u></u>

*As described in note 20, the Group's bank accounts totalling AED 140 million has been attached as at 30 June 2021, and a further AED 65.6 million had been attached subsequently.

19. OTHER ASSETS AND RECEIVABLES

	<i>30 June 2021 (unaudited) AED'000</i>	<i>31 December 2020 (audited) AED'000</i>
Deferred commission	217,404	251,126
Prepaid commission	17,727	34,678
Others	73,878	89,736
	<u>309,009</u>	<u>375,540</u>

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

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

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

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20. COMMITMENTS AND CONTINGENCIES

	<i>30 June 2021 (unaudited) AED'000</i>	<i>31 December 2020 (audited) AED'000</i>
Letters of guarantee	<u>13,148</u>	<u>13,529</u>

Deposits including statutory deposits amounting to AED 13.42 million (2020: AED 13.80 million) are held as lien by the bank against the above guarantees.

In 2020, a bank (previously related party) has filed legal claim against the Group seeking to obligate the Group to pay a net sum of AED 258 million after setting off investment property amounting to AED 83 million and available for sale investments amounting to AED 54 million against the alleged loan granted to the Group amounting to AED 395 million during the year 2008. In 2021, the above claim was dismissed by the court in the first instance stage.

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

Furthermore, a Precautionary Attachment Order has been issued by the bank Court against the Company on the request of the bank, however, the management has taken immediate action to file a grievance request and the Court has decided to cancel the aforesaid Precautionary Attachment Order (Court Cancellation Decision). This Court Cancellation Decision has been appealed by the bank and the Court issued a decision overruling the Court Cancellation Decision (the Appeal Decision). The Management has appealed on cassation the Appeal Decision and the Court of Cassation considered the appeal inadmissible. As a result, the Group's bank accounts totaling AED 140 million has been attached as at 30 June 2021, and a further AED 65.6 million had been attached subsequently.

As at reporting date, no provision has been considered by the Group's management in respect of this claim of AED 258 million and also aforementioned investment property and available for sale investments are continuing to be recorded in these consolidated financial statements at AED 85 million and AED 58 million respectively.

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

21. SHORT-TERM BORROWINGS

	<i>30 June 2021 (unaudited) AED'000</i>	<i>31 December 2020 (audited) AED'000</i>
Short-term borrowings	<u>62,500</u>	<u>-</u>

In 2021, the Group obtained a short-term Mudaraba financing amounting to AED 75 million from a local Islamic bank payable in 12 equal monthly instalments of AED 6.25 million. The profit is shared between the bank and the Group using a certain ratio. If the Mudaraba achieves a profit for the bank in excess of 2.3% over 1-month EIBOR per annum, then the bank may pay the excess profit to the Group. The profit paid for the six-month period ending 30 June 2021 amounted to AED 0.3 million and is recorded under 'Financial expenses' in the statement of profit or loss.

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22. ALLOCATION BETWEEN PARTICIPANTS AND SHAREHOLDERS (UNAUDITED)

	<i>For the six month period ended 30 June 2021</i>				<i>For the three month period ended 30 June 2021</i>			
	<i>Shareholders</i> <i>AED'000</i>	<i>Policyholders</i> <i>AED'000</i>	<i>Non-controlling</i> <i>interest</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>	<i>Shareholders</i> <i>AED'000</i>	<i>Policyholders</i> <i>AED'000</i>	<i>Non-controlling</i> <i>interest</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Net underwriting income								
Income	-	84,969	-	84,969	-	43,897	-	43,897
Wakalah share (Note 15)	36,693	(36,693)	-	-	13,148	(13,148)	-	-
Mudarib share (Note 15)	11	(11)	-	-	4	(4)	-	-
Net technical charges from policyholders to shareholders	33,155	(33,155)	-	-	17,300	(17,300)	-	-
Net underwriting income from subsidiaries	31,915	(31,915)	-	-	20,172	(20,172)	-	-
Income from investments	31,870	35	-	31,905	19,634	14	-	19,648
Other income	8,360	266	-	8,626	4,593	125	-	4,718
	142,004	(16,504)	-	125,500	74,851	(6,588)	-	68,263
Expenses								
General, administrative and other expenses	(78,745)	-	-	(78,745)	(47,452)	-	-	(47,452)
Financial expenses	(2,175)	-	-	(2,175)	(1,635)	-	-	(1,635)
Commission paid and other costs	(23,800)	23,800	-	-	(11,994)	11,994	-	-
	37,284	7,296	-	44,580	13,770	5,406	-	19,176
Net profit before tax for the period	37,284	7,296	-	44,580	13,770	5,406	-	19,176
Tax – current	(4,293)	-	-	(4,293)	(3,114)	-	-	(3,114)
	32,991	7,296	-	40,287	10,656	5,406	-	16,062
Net profit after tax for the period	32,991	7,296	-	40,287	10,656	5,406	-	16,062
Gain from discontinued operations	-	-	-	-	-	-	-	-
Share of non-controlling interest	(5,701)	-	5,701	-	(3,696)	-	3,696	-
Distribution to policyholders of the Company	-	-	-	-	-	-	-	-
Policyholders' loss financed by shareholders / recovery of loss from policyholders' fund	7,296	(7,296)	-	-	5,406	(5,406)	-	-
	34,586	-	5,701	40,287	12,366	-	3,696	16,062
Net profit for the period	34,586	-	5,701	40,287	12,366	-	3,696	16,062

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22. ALLOCATION BETWEEN PARTICIPANTS AND SHAREHOLDERS (unaudited)

	<i>For the six month period ended 30 June 2020</i>				<i>For the three month period ended 30 June 2020</i>			
	<i>Shareholders</i> <i>AED'000</i>	<i>Policyholders</i> <i>AED'000</i>	<i>Non-controlling</i> <i>interest</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>	<i>Shareholders</i> <i>AED'000</i>	<i>Policyholders</i> <i>AED'000</i>	<i>Non-controlling</i> <i>interest</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Net underwriting income	-	83,897	-	83,897	-	49,396	-	49,396
Income								
Wakalah share (Note 15)	133,339	(133,339)	-	-	38,216	(38,216)	-	-
Mudarib share (Note 15)	32	(32)	-	-	18	(18)	-	-
Net technical charges from policyholders to shareholders	30,466	(30,466)	-	-	14,155	(14,155)	-	-
Net underwriting income from subsidiaries	22,650	(22,650)	-	-	13,709	(13,709)	-	-
Income from investments	16,910	103	-	17,013	9,292	63	-	9,355
Other income	8,705	255	-	8,960	3,394	109	-	3,503
	212,102	(102,232)	-	109,870	78,784	(16,530)	-	62,254
Expenses								
General, administrative and other expenses	(52,578)	-	-	(52,578)	(23,794)	-	-	(23,794)
Financial expenses	(1,337)	-	-	(1,337)	(739)	-	-	(739)
Commission paid and other costs	(20,176)	20,176	-	-	(10,860)	10,860	-	-
Net profit/(loss) before tax for the period	138,011	(82,056)	-	55,955	43,391	(5,670)	-	37,721
Tax – current	(5,089)	-	-	(5,089)	(3,594)	-	-	(3,594)
Net profit/(loss) after tax for the period	132,922	(82,056)	-	50,866	39,797	(5,670)	-	34,127
(Loss)/income from discontinued operations	(853)	-	-	(853)	2,751	-	-	2,751
Share of non-controlling interest	(7,128)	-	7,128	-	(7,642)	-	7,642	-
Distribution to policyholders of the Company	-	(2,966)	-	(2,966)	-	(2,966)	-	(2,966)
Policyholders' loss financed by shareholders / recovery of loss from policyholders' fund	(85,022)	85,022	-	-	(8,636)	8,636	-	-
Net profit for the period	39,919	-	7,128	47,047	26,270	-	7,642	33,912

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six month period ended 30 June 2021 (unaudited)

22. ALLOCATION BETWEEN PARTICIPANTS AND SHAREHOLDERS (continued)

Condensed consolidated interim statement of financial position

	<i>30 June 2021 (unaudited) AED'000</i>	<i>31 December 2020 (audited) AED'000</i>
Assets		
<i>Participants' assets</i>		
Participants' investments in unit-linked contracts	2,334,958	2,228,346
Contributions and takaful balance receivables	222,275	141,326
Retakafuls' share of outstanding claims	183,693	168,326
Retakafuls' share of unearned contributions	153,513	117,293
Other assets and receivables	11	20
Investment properties	84,957	-
Investments	16,640	-
Restricted bank balances	140,022	-
Cash and bank balances	5,714	69,027
Total participants' assets	<u>3,141,783</u>	<u>2,724,338</u>
Total shareholders' assets *	<u>1,649,056</u>	<u>1,783,335</u>
Total assets	<u><u>4,790,839</u></u>	<u><u>4,507,673</u></u>
Liabilities		
<i>Participants' liabilities</i>		
Outstanding claims and family takaful reserve	297,438	272,867
Payable to participants for unit-linked contracts	2,333,179	2,224,849
Unearned contributions reserve	264,419	184,622
Takaful balances payable	168,397	113,364
Other payables and accruals	78,350	41,677
Total participants' liabilities	<u>3,141,783</u>	<u>2,837,379</u>
Total shareholders' liabilities*	<u>798,338</u>	<u>760,628</u>
Total liabilities	<u><u>3,940,121</u></u>	<u><u>3,598,007</u></u>
Net assets employed	<u><u>850,718</u></u>	<u><u>909,666</u></u>
Financed by:		
Shareholders' equity	770,606	835,334
Non-controlling interest	80,112	74,332
	<u><u>850,718</u></u>	<u><u>909,666</u></u>

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six month period ended 30 June 2021 (unaudited)

23. OPERATING SEGMENT

By business

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six month period ended 30 June 2021 (unaudited)

23. OPERATING SEGMENT (continued)

By business

	<i>Six month period ended 30 June 2020</i>			<i>Three month period ended 30 June 2020</i>		
	<i>General takaful AED'000</i>	<i>Family takaful AED'000</i>	<i>Total AED'000</i>	<i>General takaful AED'000</i>	<i>Family takaful AED'000</i>	<i>Total AED'000</i>
Gross written contributions	486,815	208,297	695,112	153,032	101,103	254,135
Net contributions earned	181,491	169,815	351,306	91,880	81,925	173,805
Commissions income on ceded reinsurance and retakaful	16,214	4,345	20,559	7,205	4,345	11,550
Net claims incurred	197,705 (102,873)	174,160 (6,498)	371,865 (109,371)	99,085 (44,772)	86,270 259	185,355 (44,513)
Commissions expense and other costs	(50,222)	(128,375)	(178,597)	(24,666)	(66,780)	(91,446)
Net underwriting income	44,610	39,287	83,897	29,647	19,749	49,396
Investment and other income			25,973			12,858
Unallocated expenses and tax			(59,004)			(28,127)
Surplus distribution for life policyholders			(2,966)			(2,966)
Loss from discontinued operations			(853)			2,751
Net profit after tax			47,047			33,912

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six month period ended 30 June 2021 (unaudited)

23. OPERATING SEGMENT (continued)

By geography

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six month period ended 30 June 2021 (unaudited)

23. OPERATING SEGMENT (continued)

By geography

	<i>Six month period ended 30 June 2020</i>			<i>Three month period ended 30 June 2020</i>		
	<i>Africa AED'000</i>	<i>Asia AED'000</i>	<i>Total AED'000</i>	<i>Africa AED'000</i>	<i>Asia AED'000</i>	<i>Total AED'000</i>
Gross written contributions	137,551	557,561	695,112	59,990	194,145	254,135
Net contributions earned	99,019	252,287	351,306	46,256	127,549	173,805
Commissions income on ceded reinsurance and retakaful	7,229	13,330	20,559	2,806	8,744	11,550
Net claims incurred	106,248	265,617	371,865	49,062	136,293	185,355
Commissions expense and other costs	(53,031)	(56,340)	(109,371)	(21,149)	(23,364)	(44,513)
Net underwriting income	(30,567)	(148,030)	(178,597)	(14,204)	(77,242)	(91,446)
Investment and other income	22,650	61,247	83,897	13,709	35,687	49,396
Unallocated expenses and tax			25,973			12,858
Surplus distribution for life policyholders			(59,004)			(28,127)
Loss from discontinued operations			(2,966)			(2,966)
Net profit after tax			(853)			2,751
			47,047			33,912

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

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

23. OPERATING SEGMENT (continued)

By business

30 June 2021 (Unaudited)

	<i>General takaful AED'000</i>	<i>Family takaful AED'000</i>	<i>Total AED'000</i>
Assets			
Property and equipment	35,252	3,075	38,327
Goodwill and intangibles	114,878	259	115,137
Investment properties	99,116	39,880	138,996
Right to use assets	3,025	3,180	6,205
Investment in associates	34,580	-	34,580
Deposits	175,200	47,220	222,420
Investments	524,029	163,548	687,577
Participants' investments in unit-linked contracts	-	2,334,958	2,334,958
Deposits with takaful and retakaful companies	2,392	-	2,392
Contributions and takaful balance receivables	252,354	20,043	272,397
Retakafuls' share of outstanding claims	149,611	80,211	229,822
Retakafuls' share of unearned contributions	199,398	5,516	204,914
Other assets and receivables	63,184	245,825	309,009
Restricted bank balances	17,017	123,028	140,045
Bank balances and cash	51,379	2,681	54,060
Total assets	1,721,415	3,069,424	4,790,839
Liabilities			
Outstanding claims and family takaful reserve	295,767	257,552	553,319
Payable to Participants for unit-linked contracts	-	2,333,179	2,333,179
Unearned contributions reserve	374,003	56,220	430,223
Short term borrowings	18,750	43,750	62,500
Takaful balances payable	193,708	32,328	226,036
Other payables and accruals	108,720	219,728	328,448
Lease liabilities	3,138	3,278	6,416
Total liabilities	994,086	2,946,035	3,940,121
Net assets employed	727,331	123,387	850,718
Financed by:			
Shareholders' equity			770,606
Non-controlling interest			80,112
			850,718

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six month period ended 30 June 2021 (unaudited)

23. OPERATING SEGMENT (continued)

By business

31 December 2020 (Audited)

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

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

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

24. CLASSES AND CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

30 June 2021 (Unaudited)

	<i>FVTPL</i> <i>AED'000</i>	<i>Available for sale investments</i> <i>AED'000</i>	<i>Amortised cost</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Financial assets				
Investments	100,150	63,528	523,899	687,577
Deposits	-	-	222,420	222,420
Participants' investments in unit-linked contracts	2,334,958	-	-	2,334,958
Deposits with takaful and retakaful companies	-	-	2,392	2,392
Contributions and takaful balance receivables	-	-	272,397	272,397
Other assets and receivables	-	-	62,042	62,042
Bank balances and cash	-	-	194,105	194,105
	<u>2,435,108</u>	<u>63,528</u>	<u>1,277,255</u>	<u>3,775,891</u>
Financial liabilities				
Payable to participants for unit-linked contracts	2,333,179	-	-	2,333,179
Takaful balances payable	-	-	226,036	226,036
Amount due to related parties	-	-	-	-
Other payables and accruals	-	-	295,780	295,780
Lease liabilities	-	-	6,416	6,416
	<u>2,333,179</u>	<u>-</u>	<u>528,232</u>	<u>2,861,411</u>

31 December 2020 (audited)

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six month period ended 30 June 2021 (unaudited)

25. DIVIDEND

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

26. SUBSEQUENT EVENTS

Bank balance attachment

As described in note 20, subsequent to 30 June 2021, a further AED 65.6 million of bank balances were attached.

27. FINANCIAL REGULATIONS

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

28. APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The condensed consolidated financial information were approved by the Board of Directors and authorised for issue on 11th August 2021.