

**Arabian Scandinavian Insurance Company (PLC) -
Takaful - ASCANA Insurance**

Condensed interim financial information (Unaudited)
For the period ended 31 March 2023

Review report of the Independent Auditor

To the Shareholders of Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance

Introduction


We have reviewed the accompanying condensed interim statement of financial position of Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance (the "Company") as at 31 March 2023, and the related condensed interim income statement and condensed interim statement of comprehensive income for the three months period then ended, condensed interim statement of changes in equity, condensed interim statement of cash flows for the three months period then ended and other related explanatory notes. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".



GRANT THORNTON

**Dr. Osama El Bakry
Registration No: 935
Dubai, United Arab Emirates**

15 May 2023



Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance
Condensed interim financial information (Unaudited)

Condensed interim statement of financial position
As at 31 March 2023

		(Unaudited) 31 March 2023 AED'000	Restated (Unaudited) 31 December 2022 AED'000	Restated (Unaudited) 31 December 2021 AED'000
	Notes			
Assets				
Takaful operations' assets				
Financial assets at fair value through other comprehensive income ("FVTOCI")	5	6,629	9,060	3,765
Retakaful contract assets	6	24,069	17,227	15,169
Prepayments and other receivables		1,754	1,140	1,738
Cash and bank balances	7	44,803	36,630	43,694
Total takaful operations' assets		77,255	64,057	64,366
Shareholders' assets				
Property and equipment		1,615	1,938	2,335
Intangible assets		485	575	481
Investment properties		154,641	160,641	158,715
Financial assets at fair value through other comprehensive income ("FVTOCI")	5	54,011	59,384	54,212
Investments at fair value through profit or loss ("FVTPL")	5	1,435	4,053	11,225
Deferred policy acquisition cost		10,143	8,983	9,324
Due from policyholders		35,154	20,412	18,552
Prepayments and other receivables		3,676	3,538	4,365
Cash and bank balances	7	83,632	79,901	101,045
Statutory deposits		10,000	10,000	10,000
Total shareholders' assets		354,792	349,425	370,254
Total assets		432,047	413,482	434,620


The notes from 1 to 19 form an integral part of this condensed interim financial information.

Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance
Condensed interim financial information (Unaudited)

Condensed interim statement of financial position (continued)
As at 31 March 2023

		(Unaudited) 31 March 2023 AED'000	Restated (Unaudited) 31 December 2022 AED'000	Restated (Unaudited) 31 December 2021 AED'000
	Notes			
Takaful operations' liabilities and deficit				
Takaful operations' liabilities				
Takaful and retakaful contract liabilities	6	139,925	123,660	86,253
Due to shareholders		35,154	20,412	18,552
Other liabilities		10,976	8,153	7,463
Total takaful operations' liabilities		186,055	152,225	112,268
Takaful operations' deficit				
Qard Hassan against deficit in policyholders' fund		(108,800)	(88,168)	(47,902)
Less: Provision against Qard Hassan to policyholders' fund		108,800	88,168	47,902
		-	-	-
Total takaful operations' liabilities and deficit		186,055	152,225	112,268
Shareholders' liabilities and equity				
Shareholders' liabilities				
Employees' end of service benefits		2,451	2,386	2,278
Due to related party		14	23	14
Other liabilities		5,893	7,400	9,723
Total shareholders' liabilities		8,358	9,809	12,015
Shareholders' equity				
Share capital	10	154,000	154,000	154,000
Statutory reserve	11	77,000	77,000	77,000
Retakaful reserves	12	479	479	309
Cumulative changes in fair value of FVTOCI investments		(4,443)	(5,363)	(251)
Retained earnings		10,598	25,332	79,279
Total shareholders' equity		237,634	251,448	310,337
Total shareholders' liabilities and equity		245,992	261,257	322,352
Total liabilities, policyholders' fund and equity		432,047	413,482	434,620

This condensed interim financial information was authorised for issue on 15 May 2023 by the Board of Directors and signed on its behalf by:


Mr. Khalid Ahmad Al Kazim
CEO

The notes from 1 to 19 form an integral part of this condensed interim financial information.

Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance
Condensed interim financial information (Unaudited)

Condensed interim income statement
For the period ended 31 March 2023

	Notes	(Unaudited) Three-month period ended 31 March 2023 AED'000	Restated (Unaudited) Three-month period ended 31 March 2022 AED'000
Attributable to policyholders			
Takaful revenue	13	31,993	30,926
Takaful service expenses	14	(38,809)	(23,497)
Takaful service result before retakaful contracts held		(6,816)	7,429
Allocation of retakaful contributions		(12,483)	(8,331)
Amounts recoverable from retakaful for incurred claims		10,665	4,630
Net expenses from retakaful contracts held		(1,818)	(3,701)
Takaful service result		(8,634)	3,728
Takaful finance (expenses)/income for takaful contracts issued		(805)	342
Retakaful finance income/(expense) for retakaful contracts held		241	(217)
Investment income	15	414	76
Other income		3	141
Net takaful financial result		(8,781)	4,070
Wakala fees		(11,727)	(10,758)
Mudarib fees		(124)	(23)
Loss for the period attributable to policyholders		(20,632)	(6,711)
Attributable to shareholders			
Investment income	15	3,828	3,604
Other income		1,772	1,949
Total investment income		5,600	5,553
Wakala fees		11,727	10,758
Mudarib fees		124	23
		17,451	16,334
Expenses			
Policy acquisition costs		(4,172)	(3,921)
General and administrative expenses		(6,691)	(5,945)
Income for the period before Qard Hassan		6,588	6,468
Provision against Qard Hassan to policyholders		(20,632)	(6,711)
Loss for the period attributable to shareholders		(14,044)	(243)

The notes from 1 to 19 form an integral part of this condensed interim financial information.

Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance
Condensed interim financial information (Unaudited)

Condensed interim statement of comprehensive income
For the period ended 31 March 2023

	(Unaudited) Three-month period ended 31 March 2023 AED'000	Restated (Unaudited) Three-month period ended 31 March 2022 AED'000
Attributable to shareholders		
Loss for the period	<u>(14,044)</u>	<u>(243)</u>
Other comprehensive income		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Net unrealised gain/(loss) on financial assets at fair value through other comprehensive income (FVTOCI)	230	(1,655)
Total comprehensive loss for the period attributable to shareholders	<u>(13,814)</u>	<u>(1,898)</u>

The notes from 1 to 19 form an integral part of this condensed interim financial information.

Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance
Condensed interim financial information (Unaudited)

Condensed interim statement of changes in equity
For the period ended 31 March 2023

	Share capital AED'000	Statutory reserve AED'000	Retakaful reserve AED'000	Cumulative changes in fair value of FVTOCI investments AED'000	Retained earnings AED'000	Total equity AED'000
Balance at 1 January 2022, as previously reported	154,000	77,000	309	(251)	78,693	309,751
Impact on initial application of IFRS 17	-	-	-	-	585	585
Restated balance at 1 January 2022 (Unaudited)	154,000	77,000	309	(251)	79,278	310,336
Loss for the period (restated)	-	-	-	-	(243)	(243)
Other comprehensive loss for the period	-	-	-	(1,655)	-	(1,655)
Total comprehensive loss for the period	-	-	-	(1,655)	(243)	(1,898)
Balance at 31 March 2022 (unaudited)	154,000	77,000	309	(1,906)	79,035	308,438
Balance at 1 January 2023 (Audited)	154,000	77,000	479	(5,363)	25,458	251,574
Impact of initial application of IFRS 17	-	-	-	-	(126)	(126)
Restated balance as at 1 January 2023 (Unaudited)	154,000	77,000	479	(5,363)	25,332	251,448
Loss for the period	-	-	-	-	(14,044)	(14,044)
Other comprehensive income transfer to retained earnings	-	-	-	690	(690)	-
Other comprehensive income for the period	-	-	-	230	-	230
Total comprehensive income/(loss) for the period	-	-	-	920	(14,734)	(13,814)
Balance at 31 March 2023 (Unaudited)	154,000	77,000	479	(4,443)	10,598	237,634

The notes from 1 to 19 form an integral part of this condensed interim financial information.

Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance
Condensed interim financial information (Unaudited)

Condensed interim statement of cash flows
For the period ended 31 March 2023

	(Unaudited) Three-month period ended 31 March 2023 AED'000	Restated (Unaudited) Three-month period ended 31 March 2022 AED'000
Cash flows from operating activities		
Loss for the period	(14,044)	(243)
Adjustments for:		
Depreciation and amortisation	358	278
Unrealised loss/(gain) on financial assets at FVTPL	51	(1,004)
Realised gain on disposal of financial assets at FVTPL	(86)	-
Rental income	(2,432)	(1,991)
Dividends income from financial assets	(165)	(189)
Profit on sale of property and equipment	(68)	-
Funding cost on lease liability	6	11
Profit on wakala deposits	(1,128)	(167)
Provision for employees' end of service indemnity	71	60
Operating cash flows before changes in working capital	(17,437)	(3,245)
Change in Retakaful contract assets	(6,842)	(5,234)
Change in prepayments and other receivables	(752)	(1,152)
Change in deferred acquisition costs	(1,160)	81
Change in takaful and retakaful contract liabilities	16,265	8,940
Change in Other liabilities	1,828	(991)
Cash generated from operating activities	(8,098)	(1,601)
Employees end of service benefits paid	(6)	(124)
Net cash used in operating activities	(8,104)	(1,725)
Cash flows from investing activities		
Purchase of property and equipment	(23)	(89)
Proceeds from sale of property and equipment	146	-
Purchase of investments in securities	-	(14,375)
Proceeds from sale of investments in securities	10,687	-
Proceeds from sale of investment property	6,000	-
Rental income received	2,432	1,991
Profit received on wakala deposit	1,128	167
Dividend received	165	189
Change in wakala deposit with maturity more than 3 months	(37,547)	55,033
Net cash (used in)/generated from investing activities	(17,012)	42,916
Cash flows from financing activity		
Payment of lease liability	(527)	(526)
Net cash used in financing activity	(527)	(526)
Net change in cash and cash equivalents	(25,643)	40,665
Cash and cash equivalents at the beginning of the year	71,022	89,406
Cash and cash equivalents at the end of the year (note 8)	45,379	130,071

The notes from 1 to 19 form an integral part of this condensed interim financial information.

Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance

Condensed interim financial information (Unaudited)

Notes to the condensed interim financial information

For the period ended 31 March 2023

1 Legal status and activities

Arabian Scandinavian Insurance Company PLC - Takaful - ASCANA Insurance (the "Company") is a public shareholding company and was registered in 1992. The Company is engaged in takaful and retakaful of all classes of business in accordance with the provisions of the United Arab Emirates ("UAE") Federal Law No. 6 of 2007, concerning Financial Regulations of Insurance Companies issued by the Central Bank of United Arab Emirates and regulation of its operations.

The Shareholders Extraordinary General Assembly Meeting held on 19 March 2014 approved conversion of the Company's business from conventional insurance to Takaful insurance. The Board of Directors appointed a Fatwa and Sharia'a Supervisory Board for overseeing the compliance with Sharia'a.

The Company started issuing short term takaful contracts from 1 February 2015 in connection with life and non-life takaful such as motor, marine, fire, engineering, medical and general accident risks (collectively known as general takaful) and the name of the Company was changed to Arabian Scandinavian Insurance Company PLC - Takaful ASCANA Insurance. The Company only operates in UAE, through its Dubai and Abu Dhabi offices.

This condensed interim financial information has been prepared in accordance with the requirements of the applicable laws and regulations, including UAE Federal Law No. (32) of 2021.

On 9 December 2022, the UAE Ministry of Finance released the Federal Decree-Law No.47 of 2022 on the Taxation of Corporations and Businesses which will be effective for tax periods commencing on or after 1 June 2023. There is no impact of this announcement on the financial statements of the Company for the year ended 31 December 2022. Management will assess the implications of this Federal Corporate Tax in due course.

The address of the Company's registered office is P.O. Box 1993, Dubai, United Arab Emirates.

2 Basis of preparation

The condensed interim financial information are for the three months period ended 31 March 2023 and are presented in United Arab Emirate Dirham (AED), which is also the functional currency of the Company. The condensed interim financial information has been prepared in accordance with IAS 34 'Interim Financial Reporting' and do not include all of the information required in annual financial statements in accordance with IFRSs, and should be read in conjunction with the financial statements of the Company for the year ended 31 December 2022. Further, results for interim periods are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

While applying the requirements of International Financial Reporting Standards 17 Insurance Contracts (IFRS 17), the Company has not considered shareholders' expenses in IFRS 17 assessment in line with Article 3.3 of Section 7 of the Financial Regulations for Takaful Companies (FRTC) and the relevant Shariah Board decisions. Further, in line with requirements of FRTC, the Company has only considered a fixed Wakala fee while applying the requirement of IFRS 17. Policy acquisition cost and general and administrative expenses accounts along with associated balance sheet items are part of the shareholders' accounts and presented separately.

3 Significant accounting policies

The accounting policies, critical accounting judgments and key source of estimation used in the preparation of this condensed interim financial information are consistent with those used in the audited financial statements for the year ended 31 December 2022, except for application of new standards effective as of 1 January 2023 and several amendments and interpretations apply for the first time in 2023.

The Company has not early adopted any standard, interpretation or amendment that has been issued but not yet effective.

Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance

Condensed interim financial information (Unaudited)

Notes to the condensed interim financial information

For the period ended 31 March 2023

3 Significant accounting policies (continued)

Standards, interpretations and amendments to existing standards – Impact of new IFRS

IFRS 17 (FAS 42 and FAS 43) Insurance Contracts

IFRS 17 (FAS 42 and FAS 43) establishes principles for the recognition, measurement, presentation and disclosure of takaful contracts, re takaful contracts and investment contracts with discretionary participation features. It introduces a model that measures groups of contracts based on the Company's estimates of the present value of future cash flows that are expected to arise as the Company fulfils the contracts, an explicit risk adjustment for non-financial risk and a contractual service margin.

Under IFRS 17 (FAS 42 and FAS 43), takaful revenue in each reporting period represents the changes in the liabilities for remaining coverage that relate to services for which the Company expects to receive consideration and an allocation of contributions that relate to recovering insurance acquisition cash flows. In addition, investment components are no longer included in insurance revenue and insurance service expenses.

IFRS 17 (FAS 42 and FAS 43) replaces IFRS 4 Insurance Contracts for annual periods on or after 1 January 2023. The Company has restated comparative information applying the transitional provisions to IFRS 17 (FAS 42 and FAS 43). The nature of the changes in accounting policies can be summarised, as follows:

Changes to classification and measurement

The adoption of IFRS 17 (FAS 42 and FAS 43) did not change the classification of the Company's takaful contracts. The Company was previously permitted under IFRS 4 to continue accounting using its previous accounting policies. However, IFRS 17 (FAS 42 and FAS 43) establishes specific principles for the recognition and measurement of takaful contracts issued and retakaful contracts held by the Company.

Under IFRS 17, the Company's takaful contracts issued, and retakaful contracts held are all eligible to be measured by applying the premium allocation approach (PAA). The PAA simplifies the measurement of takaful contracts in comparison with the general model in IFRS 17 (FAS 42 and FAS 43).

The Company applies the PAA to simplify the measurement of all of its Takaful and retakaful contracts. When measuring liabilities for remaining coverage, the PAA is similar to the Company's previous accounting treatment. However, when measuring liabilities for outstanding claims, the Company now discounts the future cash flows (unless they are expected to occur in one year or less from the date on which the claims are incurred) and includes an explicit risk adjustment for non-financial risk.

Income and expenses from retakaful contracts other than insurance finance income and expenses are now presented as a single net amount in profit or loss. Previously, amounts recovered from reinsurers and reinsurance expenses were presented separately.

The measurement principles of the PAA differ from the 'earned premium approach' used by the Company under IFRS 4 in the following key areas:

- The liability for remaining coverage reflects contributions received less deferred acquisition expenses less amounts recognised in revenue for insurance services provided;
- Measurement of the liability for remaining coverage includes an adjustment for the time value of money and the effect of financial risk where the premium due date and the related period of coverage are more than 12 months apart;
- 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); and
- Measurement of the liability for incurred claims (previously claims outstanding and incurred-but-not-reported (IBNR) is determined on a discounted probability-weighted expected value basis and includes an explicit risk adjustment for non-financial risk.

Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance
Condensed interim financial information (Unaudited)

Notes to the condensed interim financial information
For the period ended 31 March 2023

3 Significant accounting policies (continued)

Standards, interpretations and amendments to existing standards – Impact of new IFRS (continued)

IFRS 17 (FAS 42 and FAS 43) Insurance Contracts (continued)

Changes to presentation and disclosure

For presentation in the condensed interim statement of financial position, the Company aggregates Takaful and retakaful contracts issued and retakaful contracts held, respectively and presents separately:

- Groups of Takaful and retakaful contracts issued that are assets;
- Groups of Takaful and retakaful contracts issued that are liabilities;
- Groups of retakaful contracts held that are assets; and
- Groups of retakaful contracts held that are liabilities.

The groups referred to above are those established at initial recognition in accordance with the IFRS 17 (FAS 42 and FAS 43) requirements.

The line item descriptions in the condensed interim statement of profit or loss and condensed interim other comprehensive income have been changed significantly compared with last year. Previously, the Company reported the following line items:

- Gross written contributions
- Net written contributions
- Changes in contribution reserves
- Gross insurance claims
- Net insurance claims

Instead, IFRS 17 (FAS 42 and FAS 43) requires separate presentation of:

- Insurance revenue
- Insurance service expenses
- Insurance finance income or expenses
- Income or expenses from retakaful contracts held

The Company provides disaggregated qualitative and quantitative information about:

- Amounts recognised in its financial statements from takaful contracts
- Significant judgements, and changes in those judgements, when applying the standard

Transition

Changes in accounting policies resulting from the adoption of IFRS 17 (FAS 42 and FAS 43) have been applied using a full retrospective approach to the extent practicable. Under the full retrospective approach, at 1 January 2022 the Company:

- identified, recognised and measured each group of Takaful and retakaful contracts as if IFRS 17 (FAS 42 and FAS 43) had always been applied;
- identified, recognised and measured any assets for insurance acquisition cash flows as if IFRS 17 (FAS 42 and FAS 43) had always been applied;
- derecognised previously reported balances that would not have existed if IFRS 17 (FAS 42 and FAS 43) had always been applied. These included takaful receivables and payables, and provisions for levies that are attributable to existing takaful contracts. Under IFRS 17 (FAS 42 and FAS 43), they are included in the measurement of the takaful contracts; and
- recognised any resulting net difference in equity.

The Company has applied the transition provisions in IFRS 17 (FAS 42 and FAS 43) and has not disclosed the impact of the adoption of IFRS 17 (FAS 42 and FAS 43) on each condensed interim financial information line item and EPS. The effects of adopting IFRS 17 (FAS 42 and FAS 43) on the condensed interim financial information at 1 January 2022 are presented in the condensed interim statement of changes in equity.

Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance Condensed interim financial information (Unaudited)

Notes to the condensed interim financial information
For the period ended 31 March 2023

3 Significant accounting policies (continued)

Standards, interpretations and amendments to existing standards – Impact of new IFRS (continued)

IFRS 17 (FAS 42 and FAS 43) Insurance Contracts (continued)

Takaful and retakaful contracts classification

The Company issues takaful contracts in the normal course of business, under which it accepts significant takaful risk from its policyholders. As a general guideline, the Company 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. Takaful contracts can also transfer financial risk.

Takaful and retakaful contracts accounting treatment

Separating components from Takaful and retakaful contracts

The Company assesses its takaful and retakaful products to determine whether they contain distinct components which must be accounted for under another IFRS instead of under IFRS 17 (FAS 42 and FAS 43).

Some retakaful contracts issued contain profit commission arrangements. Under these arrangements, there is a minimum guaranteed amount that the policyholder will always receive – either in the form of profit commission, or as claims, or another contractual payment irrespective of the insured event happening. The minimum guaranteed amounts have been assessed to be highly interrelated with the insurance component of the retakaful contracts and are, therefore, non-distinct investment components which are not accounted for separately.

Level of aggregation

IFRS 17 (FAS 42 and FAS 43) requires a company to determine the level of aggregation for applying its requirements. The Company previously applied aggregation levels under IFRS 4, which were significantly higher than the level of aggregation required by IFRS 17 (FAS 42 and FAS 43). The level of aggregation for the Company is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into two categories: onerous contracts and others. This means that, for determining the level of aggregation, the Company identifies a contract as the smallest 'unit', i.e., the lowest common denominator. However, the Company makes an evaluation of whether a series of contracts need to be treated together as one unit based on reasonable and supportable information, or whether a single contract contains components that need to be separated and treated as if they were stand-alone contracts. As such, what is treated as a contract for accounting purposes may differ from what is considered as a contract for other purposes (i.e., legal or management). IFRS 17 (FAS 42 and FAS 43) also notes that no group for level of aggregation purposes may contain contracts issued more than one year apart.

The Company has elected to group together those contracts that would fall into different groups only because law, regulation or internal policies specifically constrains its practical ability to set a different price or level of benefits for policyholders with different characteristics. The Company applied a full retrospective approach for transition to IFRS 17 (FAS 42 and FAS 43). The portfolios are further divided into groups of contracts by quarter of issue and profitability for recognition and measurement purposes. Hence, within each quarter of issue, portfolios of contracts are divided into two groups, as follows:

- A group of contracts that are onerous at initial recognition (if any)
- A group of the remaining contracts in the portfolio (if any)

The profitability of groups of contracts is assessed by IFRS 17 committee that take into consideration existing and new business. The Company assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise. For contracts that are not onerous, the Company assesses, at initial recognition, that there is no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances.

Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance Condensed interim financial information (Unaudited)

Notes to the condensed interim financial information
For the period ended 31 March 2023

3 Significant accounting policies (continued)

Standards, interpretations and amendments to existing standards – Impact of new IFRS (continued)

IFRS 17 (FAS 42 and FAS 43) Insurance Contracts (continued)

Takaful and retakaful contracts accounting treatment (continued)

Level of aggregation (continued)

The Company has a IFRS 17 Committee that meets at regular intervals to determine the profitability groupings of each portfolio of contracts. The committee acts as a forum to collect input from the pricing and underwriting functions and assess the relevant facts and circumstances which indicate that groups of contracts are onerous at initial recognition.

Below are some of the relevant facts and circumstances that the Company considers:

- Evaluation of expected combines ratios;
- Pricing information;
- Results of similar contracts it has recognised; and
- Environment factors, e.g., a change in market experience or regulations.

The Company divides portfolios of retakaful contracts held applying the same principles set out above, except that the references to onerous contracts refer to contracts on which there is a net gain on initial recognition. For some groups of retakaful contracts held, a group can comprise a single contract.

Recognition

The Company recognises groups of takaful contracts it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts;
- The date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date;
- For a group of onerous contracts, if facts and circumstances indicate that the group is onerous the Company recognises a group of retakaful contracts held;
- If the retakaful contracts provide proportionate coverage at the later of the beginning of the coverage period of the group, or the initial recognition of any underlying contract; and
- In all other cases, from the beginning of the coverage period of the group the Company adds new contracts to the group when they are issued or initiated.

Contract boundary

The Company includes in the measurement of a group of takaful contracts all the future cash flows 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 Company can compel the policyholder to pay the contributions, or in which the Company has a substantive obligation to provide the policyholder with services. A substantive obligation to provide services ends when:

- The Company 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:

- The Company has the practical ability to reassess the risks of the portfolio of takaful 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
- The pricing of the contributions for coverage up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

A liability or asset relating to expected contributions or claims outside the boundary of the insurance contract is not recognised. Such amounts relate to future takaful contracts.

Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance
Condensed interim financial information (Unaudited)

Notes to the condensed interim financial information
For the period ended 31 March 2023

3 Significant accounting policies (continued)

Standards, interpretations and amendments to existing standards – Impact of new IFRS (continued)

IFRS 17 (FAS 42 and FAS 43) Insurance Contracts (continued)

Takaful and retakaful contracts accounting treatment (continued)

Measurement - Premium Allocation Approach

Takaful contracts – initial measurement

The Company applies the premium allocation approach (PAA) to all the takaful contracts that it issues and retakaful contracts that it holds, as:

- The coverage period of each contract in the group is one year or less, including coverage arising from all contributions within the contract boundary.

Or

- For contracts longer than one year, the Company has modelled possible future scenarios and reasonably expects that the measurement of the liability for remaining coverage for the group containing those contracts under the PAA does not differ materially from the measurement that would be produced applying the general model. In assessing materiality, the Company has also considered qualitative factors such as the nature of the risk and types of its lines of business.

For a group of contracts that is not onerous at initial recognition, the Company measures the liability for remaining coverage as the contributions, if any, received at initial recognition, minus any insurance acquisition cash flows at that date. There is no allowance for time value of money as the contributions are mostly received within one year of the coverage period.

The Company measures its reinsurance assets for a group of retakaful contracts that it holds on the same basis as takaful contracts that it issues, however, adapted to reflect the features of retakaful contracts held that differ from takaful contracts issued, for example the generation of expenses or reduction in expenses rather than revenue.

Takaful contracts – subsequent measurement

The Company 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 contributions received in the period;
- Minus capitalised insurance acquisition cash flows;
- Plus any amounts relating to the amortisation of the 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 coverage period; and
- Minus any investment component paid or transferred to the liability for incurred claims.

The Company 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 entity, and include an explicit adjustment for non-financial risk (the risk adjustment). The Company does not adjust the future cash flows for the time value of money and the effect of financial risk for the measurement of liability for incurred claims that are expected to be paid within one year of being incurred.

Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance Condensed interim financial information (Unaudited)

Notes to the condensed interim financial information
For the period ended 31 March 2023

3 Significant accounting policies (continued)

Standards, interpretations and amendments to existing standards – Impact of new IFRS (continued)

IFRS 17 (FAS 42 and FAS 43) Insurance Contracts (continued)

Takaful and retakaful contracts accounting treatment (continued)

Retakaful contracts

The subsequent measurement of retakaful contracts held follows the same principles as those for takaful contracts issued and has been adapted to reflect the specific features of reinsurance held.

Takaful contracts – modification and derecognition

The Company derecognises takaful 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, substantially changes the contract boundary, or requires the modified contract to be included in a different group. In such cases, the Company derecognises the initial contract and recognises the modified contract as a new contract.

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

Presentation

The Company has presented separately, in the statement of financial position, the carrying amount of groups of takaful contracts issued that are assets, groups of takaful contracts issued that are liabilities, retakaful contracts held that are assets and groups of retakaful contracts held that are liabilities.

Any assets or liabilities for insurance acquisition cash flows recognised before the corresponding takaful contracts are included in the carrying amount of the related groups of takaful contracts issued.

The Company disaggregates the total amount recognised in the statement of profit or loss and other comprehensive income into an insurance service result, comprising insurance revenue and insurance service expense, and insurance finance income or expenses.

The Company disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion which will be presented in insurance finance income or expenses and in insurance service result respectively.

The Company separately presents income or expenses from retakaful contracts held from the expenses or income from takaful contracts issued.

Insurance revenue

The insurance revenue for the period is the amount of expected contribution receipts (excluding any investment component) allocated to the period. The Company allocates the expected contribution receipts to each period of coverage on the basis of the passage of time; but if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then on the basis of the expected timing of incurred insurance service expenses.

The Company changes the basis of allocation between the two methods above as necessary, if facts and circumstances change. The change is accounted for prospectively as a change in accounting estimate.

Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance
Condensed interim financial information (Unaudited)

Notes to the condensed interim financial information
For the period ended 31 March 2023

3 Significant accounting policies (continued)

Standards, interpretations and amendments to existing standards – Impact of new IFRS (continued)

IFRS 17 (FAS 42 and FAS 43) Insurance Contracts (continued)

Takaful and retakaful contracts accounting treatment (continued)

Loss components

The Company assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. If at any time during the coverage period, the facts and circumstances indicate that a group of takaful contracts is onerous, the Company establishes a loss component as the excess of the fulfilment cash flows that relate to the remaining coverage of the group over the carrying amount of the liability for remaining coverage of the group. Accordingly, by the end of the coverage period of the group of contracts the loss component will be zero.

Insurance finance income and expense

Insurance finance income or expenses comprise the change in the carrying amount of the group of takaful contracts arising from:

- The effect of the time value of money and changes in the time value of money; and
- The effect of financial risk and changes in financial risk.

The Company disaggregates insurance finance income or expenses in the profit or loss. The impact of changes in market interest rates on the value of the insurance assets and liabilities are reflected in the profit or loss.

Net income or expense from retakaful contracts held

The Company presents separately on the face of the statement of profit or loss, the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance contributions paid. The Company treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held.

4 Critical accounting estimates and judgments in applying accounting policies

Judgements and estimates

The preparation of this condensed interim financial information requires management to make judgements, estimates and assumptions that effect 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 condensed interim financial information, the significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that were applied in the audited financial statements as at and for the year ended 31 December 2022. Except for the below judgements.

Takaful and retakaful contracts

The Company applies the PAA to simplify the measurement of takaful contracts. When measuring liabilities for remaining coverage, the PAA is broadly similar to the Company's previous accounting treatment under IFRS 4. However, when measuring liabilities for incurred claims, the Company now discounts cash flows that are expected to occur more than one year after the date on which the claims are incurred and includes an explicit risk adjustment for non-financial risk.

Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance
Condensed interim financial information (Unaudited)

Notes to the condensed interim financial information
For the period ended 31 March 2023

4 Critical accounting estimates and judgments in applying accounting policies
(continued)

Liability for remaining coverage

For insurance acquisition cash flows, the Company is eligible and chooses to capitalise all insurance acquisition cashflows upon payments.

The effect of recognising insurance acquisition cash flows as an expense on initial recognition of group of takaful contracts is to increase the liability for remaining coverage on initial recognition and reduce the likelihood of any subsequent onerous contract loss. There would be an increased charge to profit or loss on initial recognition, due to expensing acquisition cash flows, offset by an increase in profit released over the coverage period. For groups of contracts that are onerous, the liability for remaining coverage is determined by the fulfilment cash flows.

Liability for incurred claims

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods.

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. These methods extrapolate the development of paid and incurred losses, average costs per claim (including claims handling costs), and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the probability weighted expected value outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency exchange rates.

Discount rates

The Company use bottom-up approach to derive the discount rate. Under this 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 rate was derived using swap rates available in the market denominated in the same currency as the product being measured. When swap rates are not available, highly liquid sovereign bonds with a AAA credit rating were used. Management uses judgment to assess liquidity characteristics of the liability cash flows.

Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance
Condensed interim financial information (Unaudited)

Notes to the condensed interim financial information
For the period ended 31 March 2023

5 Investment securities

Financial assets at FVTOCI

Financial assets at FVTOCI comprises the following:

	(Unaudited) 31 March 2023 AED'000	(Audited) 31 December 2022 AED'000
Unquoted U.A.E. equity securities	1,939	1,939
Quoted U.A.E. Sukuk	49,142	56,946
Unquoted outside UAE	9,559	9,559
	60,640	68,444
Attributable to:		
Policyholders	6,629	9,060
Shareholders	54,011	59,384
	60,640	68,444
Financial assets measured at FVTPL		
Quoted U.A.E. equity securities	920	3,538
Unquoted U.A.E. equity securities	515	515
	1,435	4,053

All other financial assets measured at FVTPL are attributable to Shareholders.

The movement in financial assets are as follows:

	At fair value through other comprehensive income (FVTOCI)		At fair value through profit or loss (FVTPL)	
	(Unaudited) 31 March 2023 AED'000	(Audited) 31 December 2022 AED'000	(Unaudited) 31 March 2023 AED'000	(Audited) 31 December 2022 AED'000
Fair value, at the beginning of the period/year	68,444	57,977	4,053	11,225
Purchased during the period/year	-	15,579	-	3,475
Sold during the period/year	(8,034)	-	(2,567)	(10,446)
Change in fair value	230	(5,112)	(51)	(201)
Fair value, at the end of the period/year	60,640	68,444	1,435	4,053

Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance
Condensed interim financial information (Unaudited)

Notes to the condensed interim financial information
For the period ended 31 March 2023

6 Takaful and retakaful contracts

The breakdown of groups of takaful and retakaful contracts issued, and retakaful contracts held, that are in an asset position and those in a liability position is set out in the table below:

	(Unaudited) 31 March 2023			(Unaudited) 31 December 2022		
	Assets	Liabilities	Net	Assets	Liabilities	Net
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Takaful contracts issued						
Motor	7,940	(83,688)	(75,748)	8,214	(73,578)	(65,364)
Medical & Group Life	1,144	(26,416)	(25,272)	789	(30,486)	(29,697)
General	14,985	(29,821)	(14,836)	8,224	(19,596)	(11,372)
Total takaful contracts issued	24,069	(139,925)	(115,856)	17,227	(123,660)	(106,433)

Roll-forward of net asset or liability for takaful contracts issued showing the liability for remaining coverage and the liability for incurred claims

The Company disaggregates information to provide disclosure in respect of major product lines separately: Motor takaful, Medical and Group life, and General retakaful issued. This disaggregation has been determined based on how the company is managed.

The roll-forward of the net asset or liability for takaful contracts issued, showing the liability for remaining coverage and the liability for incurred claims, is disclosed in the table on the next page.

Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance
Condensed interim financial information (Unaudited)

Notes to the condensed interim financial information
For the period ended 31 March 2023

6 Takaful and retakaful contracts (continued)

Roll-forward of net asset or liability for takaful contracts issued showing the liability for remaining coverage and the liability for incurred claims (continued)

2023 (Unaudited)	Liabilities for remaining coverage		Liabilities for incurred claims		Total
	Excluding loss component (Unaudited) AED'000	Loss component (Unaudited) AED'000	Estimates of the present value of future cash flows (Unaudited) AED'000	Risk adjustment (Unaudited) AED'000	(Unaudited) AED'000
Takaful contract liabilities as at 1 January	(46,848)	(13,798)	(61,855)	(1,159)	(123,660)
Takaful contract assets as at 1 January	(1,045)	821	16,945	506	17,227
Net takaful contract liabilities	(47,893)	(12,977)	(44,910)	(653)	(106,433)
Takaful revenue and allocation of retakaful contributions	20,420	(823)	-	(87)	19,510
Takaful service expenses					
Incurring claims and other expenses	-	-	(56,256)	(17)	(56,273)
Amortisation of takaful acquisition cash flows	(1,076)	-	-	-	(1,076)
Losses on onerous contracts and reversals of those losses	-	3,486	-	-	3,486
Changes to liabilities for incurred claims	-	-	11,377	(30)	11,347
Takaful service result	19,344	2,663	(44,879)	(134)	(23,006)
Takaful finance expenses	-	-	(563)	(1)	(564)
Total changes in the statement of comprehensive income	19,344	2,663	(45,442)	(135)	(23,570)
Cash flows					
Contributions received	(26,723)	-	-	-	(26,723)
Claims and other expenses paid	-	-	40,870	-	40,870
Total cash flows	(26,723)	-	40,870		14,147
Net takaful contract liabilities as at 31 March	(55,272)	(10,314)	(49,482)	(788)	(115,856)
Takaful contract liabilities as at 31 March	(58,774)	(11,590)	(68,179)	(1,382)	(139,925)
Takaful contract assets as at 31 March	3,502	1,276	18,697	594	24,069
Net takaful contract liabilities as at 31 March	(55,272)	(10,314)	(49,482)	(788)	(115,856)

Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance
Condensed interim financial information (Unaudited)

Notes to the condensed interim financial information
For the period ended 31 March 2023

6 Takaful and retakaful contracts (continued)

Roll-forward of net asset or liability for takaful contracts issued showing the liability for remaining coverage and the liability for incurred claims (continued)

2022 (Unaudited)	Liabilities for remaining coverage		Liabilities for incurred claims		Total
	Excluding loss component (Unaudited) AED'000	Loss component (Unaudited) AED'000	Estimates of the present value of future cash flows (Unaudited) AED'000	Risk adjustment (Unaudited) AED'000	
Takaful contract liabilities as at 1 January	(44,338)	(3,178)	(37,685)	(1,052)	(86,253)
Takaful contract assets as at 1 January	(890)	91	15,459	509	15,169
Net takaful contract liabilities	(45,228)	(3,087)	(22,226)	(543)	(71,084)
Takaful revenue and allocation of retakaful contributions	95,132	(180)	-	-	94,952
Takaful service expenses	-	-	-	-	-
Incurred claims and other expenses	-	-	(146,419)	(298)	(146,717)
Amortisation of takaful acquisition cash flows	(704)	-	-	-	(704)
Losses on onerous contracts and reversals of those losses	-	(9,710)	-	-	(9,710)
Changes to liabilities for incurred claims	-	-	12,554	183	12,737
Takaful service result	94,428	(9,890)	(133,865)	(115)	(49,442)
Takaful finance expenses	-	-	8	7	15
Total changes in the statement of comprehensive income	94,428	(9,890)	(133,857)	(108)	(49,427)
Cash flows	-	-	-	-	-
Contributions received	(97,094)	-	-	-	(97,094)
Claims and other expenses paid	-	-	111,172	-	111,172
Total cash flows	(97,094)	-	111,172	-	14,078
Net takaful contract liabilities as at 31 December	(47,894)	(12,977)	(44,911)	(651)	(106,433)
Takaful contract liabilities as at 31 December	(46,848)	(13,798)	(61,856)	(1,158)	(123,660)
Takaful contract assets as at 31 December	(1,046)	821	16,945	507	17,227
Net takaful contract liabilities as at 31 December	(47,894)	(12,977)	(44,911)	(651)	(106,433)

Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance
Condensed interim financial information (Unaudited)

Notes to the condensed interim financial information
For the period ended 31 March 2023

7 Cash and bank balances

	(Unaudited) 31 March 2023 AED'000	(Audited) 31 December 2022 AED'000
Cash on hand	63	19
Bank balances:		
Wakala deposits	83,056	82,812
Current accounts	45,316	33,700
	<u>128,435</u>	<u>116,531</u>
<i>Attributable to:</i>		
Policyholders	44,803	36,630
Shareholders	83,632	79,901
	<u>128,435</u>	<u>116,531</u>

8 Cash and cash equivalents

For the purpose of cash flow the cash and cash equivalents at each period end is as follows:

	(Unaudited) 31 March 2023 AED'000	(Unaudited) 31 March 2022 AED'000
Cash and bank balances	128,435	130,371
Wakala deposits with maturity over 3 months	(83,056)	(300)
	<u>45,379</u>	<u>130,071</u>

9 Related party transactions

Related parties comprise of companies and entities under common ownership and/or common management and control, their partners and key management personnel. The management decides on the terms and conditions of the transactions with related parties. Related parties represent the shareholder, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

	(Unaudited) 31 March 2023 AED'000	(Audited) 31 December 2022 AED'000
Balances with related parties:		
Amounts due from related parties:		
<i>Related parties due to common directorship</i>		
Al Redha Insurance Brokers (LLC), Dubai	1,857	903
Others	902	85
	<u>2,759</u>	<u>988</u>
Amounts due to related parties:		
<i>Related parties due to common ownership</i>		
Others	19	27
	<u>19</u>	<u>27</u>
Amounts due to related parties attributable to:		
Policyholders	5	4
Shareholders	14	23
	<u>19</u>	<u>27</u>

Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance
Condensed interim financial information (Unaudited)

Notes to the condensed interim financial information
For the period ended 31 March 2023

9 Related party transactions (continued)

All amounts due from related parties are attributable to policy holders.

Transactions with related parties

Transactions with related parties are as follows:

	(Unaudited) 31 March 2023 AED'000	(Unaudited) 31 March 2022 AED'000
Gross contribution written for related parties	921	1,119
Management expenses (net)	715	746
Contribution written through a related party broker	2,308	2,063
Policy acquisition costs	335	325
Sale of investment property	6,000	-
Claims paid – net	24	-

Compensation of key management personnel

Short term benefits	270	270
Long term benefits	19	19

10 Share capital

	(Unaudited) 31 March 2023 AED'000	(Audited) 31 December 2022 AED'000
Authorised and issued and fully paid: 154,000,000 ordinary shares of AED 1 each (2022: 154,000,000)	154,000	154,000

11 Statutory reserve

In accordance with the Company's Articles of Association and Article 241 of the Federal Law No. 32 of 2021, a minimum of 10% of the Company's annual net profits must be transferred to a non-distributable legal reserve. As per the Company's Articles of Association, such transfers are required until the balance in the legal reserve equals 50% of the Company's paid-up share capital. No transfer to the statutory reserve has been made during the three-month period ended 31 March 2023 (three-month period ended 31 March 2022: Nil), as this will be based on the audited results for the year end.

12 Retakaful reserve

In accordance with Article 34 of the Central Bank of UAE's Board of Directors Decision No. (23) of 2019, the Company allocated an amount equals to 0.5% of the total retakaful contributions ceded to retakaful reserve. No transfer to the retakaful reserve has been made during the three-month period ended 31 March 2023 (three-month period ended 31 March 2022: Nil), as this will be based on the audited results for the year end. This reserve is accumulated year after year and may not be disposed of without the written approval of the Director General of the Central Bank of United Arab Emirates.

Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance
Condensed interim financial information (Unaudited)

Notes to the condensed interim financial information
For the period ended 31 March 2023

13 Takaful revenue

	Unaudited Motor AED'000	Unaudited General AED'000	Unaudited Medical & group life AED'000	Unaudited Total AED'000
For the three month period ended 31 March 2023				
Contracts measured under the PAA	14,690	7,872	9,431	31,993
For the three month period ended 31 March 2022				
Contracts measured under the PAA	12,557	6,284	12,085	30,926

14 Takaful service expense

	Unaudited Motor AED'000	Unaudited General AED'000	Unaudited Medical & life AED'000	Unaudited Total AED'000
For the three month period ended 31 March 2023				
Incurred claims and other expenses	19,139	970	13,119	33,228
Losses on onerous contracts and reversals of those losses	(289)	-	(1,921)	(2,210)
Changes to liabilities for incurred claims	8,138	2,577	(2,924)	7,791
	26,988	3,547	8,274	38,809
For the three month period ended 31 March 2022				
Incurred claims and other expenses	3,566	13,109	4,013	20,688
Losses on onerous contracts and reversals of those losses	(86)	-	614	528
Changes to liabilities for incurred claims	2,918	(1,448)	811	2,281
	6,398	11,661	5,438	23,497

Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance
Condensed interim financial information (Unaudited)

Notes to the condensed interim financial information
For the period ended 31 March 2023

15 Investment income

	(Unaudited) Three months period ended 31 March 2023 AED'000	(Unaudited) Three months period ended 31 March 2022 AED'000
Profit on disposal of financial investments at FVTPL	86	-
Unrealised (loss)/gain on financial investments at FVTPL	(51)	1,004
Dividends from financial investments at FVTPL	-	55
Income from investment properties	2,432	1,991
Profit on sukuk	595	514
Dividend from other financial assets	165	134
Income from wakala deposit	1,128	167
Profit on sale of asset	68	-
Expenses allocated to investment	(181)	(185)
	<u>4,242</u>	<u>3,680</u>
<i>Attributable to:</i>		
Policyholders	414	76
Shareholders	<u>3,828</u>	<u>3,604</u>
	<u>4,242</u>	<u>3,680</u>

Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance
Condensed interim financial information (Unaudited)

Notes to the condensed interim financial information
For the period ended 31 March 2023

16 Segment information

These segments are the basis on which the Company reports its primary segment information. Segmental information is presented below:

	Three months period ended 31 March 2023 (Unaudited)			Three months period ended 31 March 2022 (Unaudited)		
	Attributable to policyholders AED'000	Attributable to shareholders AED'000	Total AED'000	Attributable to policyholders AED'000	Attributable to shareholders AED'000	Total AED'000
<i>Takaful</i>						
Takaful revenue	31,993	-	31,993	30,926	-	30,926
Takaful service expenses	(38,809)	-	(38,809)	(23,497)	-	(23,497)
Allocation of retakaful contributions	(12,483)	-	(12,483)	(8,331)	-	(8,331)
Amounts recoverable from retakaful for incurred claims	10,665	-	10,665	4,630	-	4,630
Takaful finance (expenses)/income for takaful contracts issued	(805)	-	(805)	342	-	342
Retakaful finance income/(expense) for retakaful contracts held	241	-	241	(217)	-	(217)
Net takaful income	(9,198)	-	(9,198)	3,853	-	3,853
Wakala fees	(11,727)	11,727	-	(10,758)	10,758	-
Mudarib fees	(124)	124	-	(23)	23	-
Other income	3	-	3	141	-	141
Investment income	414	-	414	76	-	76
	(20,632)	11,851	(8,781)	(6,711)	10,781	4,070
<i>Investment</i>						
Investment income	-	3,828	3,828	-	3,604	3,604
Other income	-	1,772	1,772	-	1,949	1,949
Policy acquisition cost	-	(4,172)	(4,172)	-	(3,921)	(3,921)
General and administration expenses	-	(6,691)	(6,691)	-	(5,945)	(5,945)
(Loss)/profit for the period	(20,632)	6,588	(14,044)	(6,711)	6,468	(243)

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Notes to the condensed interim financial information
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16 Segment information (continued)

Other information

	Takaful		Investment		Total
	(Unaudited) 31 March 2023 AED'000	Restated (Unaudited) 31 December 2022 AED'000	(Unaudited) 31 March 2023 AED'000	Restated (Unaudited) 31 December 2022 AED'000	(Unaudited) 31 March 2023 AED'000
Segment assets	77,255	64,057	354,792	349,425	432,047
Segment liabilities	186,055	152,225	8,358	9,809	194,413
					162,034
	Takaful		Investment		Total
	Three months period ended 31 March (unaudited) 2023 AED'000	2022 AED'000	Three months period ended 31 March (unaudited) 2023 AED'000	2022 AED'000	Three months period ended 31 March (unaudited) 2023 AED'000
Capital expenditure	-	-	23	89	23
Depreciation	-	-	358	278	358
					278

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For the period ended 31 March 2023

17 Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value of investments at amortised cost

Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the condensed interim financial information approximate their fair values except for financial investments measured at fair value through other comprehensive income of which fair value is determined based on the quoted market prices and disclosed in Note 5 of this condensed interim financial information.

Fair value of financial instruments carried at fair value

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of assets are determined using similar valuation techniques and assumptions as used in the audited annual financial statements for the year ended 31 December 2022.

Financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

The following table provides an analysis of financial and non- financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 the fair value of financial instruments traded in an active market is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the company is the current bid price. These instruments are included in Level 1.
- Level 2 the fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are unobservable, the instrument is included in Level 2.
- Level 3 if one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

		Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
31 March 2023 (unaudited)					
<i>Financial assets at FVTOCI</i>					
Investment in quoted securities	(a)	49,142	-	-	49,142
Investment in unquoted securities	(b)	-	-	11,498	11,498
		49,142	-	11,498	60,640
<i>Financial assets at FVTPL</i>					
Investment in quoted securities	(a)	920	-	-	920
Investment in unquoted securities	(b)	-	-	515	515
		920	-	515	1,435
31 December 2022 (audited)					
<i>Financial assets at FVTOCI</i>					
Investment in quoted securities	(a)	56,946	-	-	56,946
Investment in unquoted securities	(b)	-	-	11,498	11,498
		56,946	-	11,498	68,444
<i>Financial assets at FVTPL</i>					
Investment in quoted securities	(a)	3,538	-	-	3,538
Investment in unquoted securities	(b)	-	-	515	515
		3,538	-	515	4,053

Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance

Condensed interim financial information (Unaudited)

Notes to the condensed interim financial information

For the period ended 31 March 2023

17 Fair value measurements (continued)

Fair value of financial instruments carried at fair value (continued)

Valuation techniques and assumptions applied for the purposes of measuring fair value (continued)

- (a) Fair values have been determined by reference to their quoted prices at the reporting date.
- (b) The Company holds investments in unquoted securities of three entities as at 31 March 2023 (31 December 2022: three entities). These investments are fair valued based on Net Asset Value Techniques using observable market data. Management believes that there is no significant deterioration in the value of these unquoted investments during the period ended 31 March 2023. All the unquoted securities fall under level 3 of fair value hierarchy therefore use of estimate is significant.

18 Capital risk management

The solvency regulations identify the required Solvency Margin to be held in addition to takaful liabilities. The Solvency Margin (presented in the table below) must be maintained at all times throughout the period. The Company is subject to solvency regulations which it has complied with during the year. The Company has incorporated in its policies and procedures the necessary tests to ensure continuous and full compliance with such regulations.

The table below summarises the Minimum Capital Requirement, Minimum Guarantee Fund and Solvency Capital Requirement of the Company and the total capital held to meet these solvency margins as defined in the Regulations. In accordance with Circular No. CBUAE/BSN/2022/923 of CBUAE dated 28 February 2022, the Company has disclosed the solvency position for the immediately preceding period as the current year solvency position is not yet finalised.

	(Audited) 31 December 2022 AED'000
Minimum Capital Requirement (MCR)	100,000
Solvency Capital Requirement (SCR)	41,170
Minimum Guarantee Fund (MGF)	25,692
Basic Own Funds	118,818
MCR Solvency Margin - Surplus	18,818
SCR Solvency Margin - Surplus	77,648
MGF Solvency Margin - Surplus	93,126

Based on the regulatory requirements, the minimum regulatory capital required is AED 100 million as at 31 March 2023 and 31 December 2022 against which the paid-up capital of the Company is AED 154 million.

19 Subsequent events

Subsequent to period end, Sukoon Insurance (formerly Oman Insurance Company P.S.C.) has obtained approvals from the Central Bank of UAE and Securities and Commodities Authority (SCA) to proceed with the acquisition of the majority of the shares of the Company. The existing board of directors have resigned on 19 April 2023 and general assembly meeting of shareholders will be held for the appointment of new board.

Except for what is disclosed above, there have been no events subsequent to the condensed interim statement of financial position date that would significantly affect the amounts reported in the condensed interim financial information as at and for the three month period ended 31 March 2023.